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WEST EUROPE REPORT

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FRANCO-GERMAN LEADERSHIP IDEA SEEN 'GAINING MOMENTUM'

Paris LE NOUVEL ECONOMISTE in French 18 Feb 80 p 38

[Article by General Georges Buïs]

[Text] A France endowed with a relative freedom of military action; a Germany completely enmeshed within NATO: Paris and Bonn have radically opposed strategies. After decolonization and withdrawal within the confines of the mainland, France has remained very much attached to what Jean-Claude Guillebaud has called the "confetti of Empire:" DOM-TOM, plus a certain number of scattered islets which make possible the carrying out of a "rock island strategy" overseas. France has therefore equipped herself with the means for intervening overseas, which, moreover, she does not hesitate to use. France has above all unequivocally chosen a national defense based on the sanctuarization of her territory, guaranteed by the Nuclear Strike Force. Firing nuclear weapons prohibits integration, military or otherwise; its threat or its use must depend on one single source of responsibility. The choice of such a strategy made it necessary for France to withdraw from the aggregate of nations which constitutes NATO. This withdrawal was carried out by General De Gaulle in 1966. Nevertheless, he realized that certain confrontations on European soil could threaten the vital interests of France. He therefore had General Ailleret and the American General Lemnitzer, then supreme commander of allied forces in Europe (SACEUR) negotiate an agreement providing for cases of intervention and preparing for the integration of French armed forces in those of NATO.

The Federal Republic of Germany chose, or rather was obliged to choose a completely different strategy. It was only in 1955 that its sputtering army, the Bundeswehr, became a force in NATO. Germany had all the less choice in that the various treaties imposed by her allies prohibited her from acquiring many conventional military materials and especially from manufacturing nuclear weapons. The "White Book" published last October by the Ministry of Defense at Bonn reaffirmed this: the Bundeswehr (465,000 men, of which 225,000 are draftees), which is the strongest conventional army in Europe, "is conceived as an armed force within an alliance." The German army is thus a stationary army, without nuclear weapons, whose only mission is to fight at its posts.

But contrary strategies are not incompatible. Since the idea of a Franco-German leadership of Europe is gathering momentum, it is noteworthy that the French army and the Germany army are perfectly complementary. What France lacks, a strong conventional army, Germany already has. And what is lacking to Bonn, nuclear firepower, Paris has available. Just imagine the number of nuclear weapons systems which an eventual pooling of resources between France and Germany could bring about...Then, European deterrence would no longer be the butt of anyone's jokes!

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CSO: 3100

FRANCO-GERMAN ECONOMIC COLLABORATION PROGRESSING

Paris LE NOUVEL ECONOMISTE in French 18 Feb 80 pp 32-38

[Article by Gilles Coville]

[Text] France and Germany as a couple have been having hot and cold flashes. On Tuesday February 5, Valery Giscard d'Estaing and Helmut Schmidt mounted in Paris a grand, warm show of solidarity, lecturing the USSR and calling on the United States to be prudent. It was the springtime of the alliance between French political and German economic weight. In the world's capitals, cognizance was taken of the birth of this third superpower, which was bent on playing its role in international affairs.

Less than a week later, it is once again winter. The French Government boycotted the allies' meeting at Bonn organized by the Germans to hear the good word from the Americans. Washington was furious and there were comments supported by the Liberal members of Schmidt's government on their unfailing solidarity with America. The eternal skeptics were jubilant. They were right to stand aloof from the Giscard-Schmidt show. The sum of German ambiguities--alignment with the United States but mistrust of Carter--and French contradictions--nuclear independence but participation in the Atlantic alliance--does not constitute a coherent third force.

Synergy This bears a closer look. If logic has no progeny in Franco-German relations, dialectics feels perfectly at home in them, and makes allowance for the ponderousness of history, long term strategic aims and the ups and downs of electoral tactics. On 6 February the TIMES of London wrote: "The foreign policies of the two countries were coordinated at a level rarely seen between two sovereign states." For Albert Frisch, Paris correspondent of the FRANKFURTER ALLGEMEINE ZEITUNG, "one cannot speak of a Paris-Bonn front, but the marriage of convenience concluded in 1963 between De Gaulle and Adenauer has been transformed into a common destiny." Indeed, by dint of overusing the rule of three to analyze Franco-German relations, their synergies have been neglected. The number 1 and the number 3 of international trade, Germany and France combined, displace considerable weight in world economy and in almost all markets, commencing

with those of the OPEC countries and the East, two key zones of current international tension. The Americans realize so well the importance of such a situation that, as our correspondent in New York, Louis Wiznitzer informs us, high officials of the State Department "suspect the two countries of placing their commercial interests above the imperatives of Western security."

Taken together, the two countries are also the largest importers of raw materials from the Third World (oil excepted), its first suppliers of technology, manufactured goods and financial aid. In Brussels, not a single comma is added in the multiple European negotiations without a Franco-German agreement. This constitutes a dynamism which can outweigh all divergences.

"There does not exist in the world another pair of nations of this size whose links are so close and vital," a high French official remarks. For the Franco-German border witnesses the passage of much more than merchandise or capital. France welcomes each year 7 million German tourists, its largest contingent, and nearly 185,000 French live in Germany, which constitutes by far France's largest colony abroad. Ideas, methods, technology, circulate with unequalled intensity, and not always in the same direction, as the French, who are full of complexes with regard to German economic power, believe. "It is rare that a French enterprise can spare itself an in-depth reflection on Germany," Jean Chazel, commercial counsellor in Bonn and one of the best observers of Germany, said. "But, for mercy's sake," he adds, "let us stop talking about the German model to see rather how our multiple relations are mutually instructive."

The two countries' merchants and bankers are no longer the only ones to frequent each other assiduously. Last week, no less than 11 German ministers travelled to Paris. Accompanying them in their planes and cars: cohorts of high officials, habitual visitors of Parisian corridors; following in their footsteps, a multitude of engineers and researchers, artisans of civil or military scientific and technical cooperation, the extent of which is unknown to public opinion. And, hidden from the public eye, more discreet, technicians of the currency, that most sensitive attribute of national sovereignty, advance step by step towards a beginning of monetary unity.

Placed end to end, these dispersed efforts take on considerable political importance. We are far from the fusion of two nations--which no one desires--but the imbrication of two markets, of two industrial bases, of two economies deserves more than divided attention.

The Markets, First of All

The German model has not only given the French complexes: it has also awakened their interest in a market which remains both the most natural and the most stimulating. "Since 1975, Germany has become a fashionable market," the directors of the Societe Generale Alsacienne at Frankfurt note.

"Selling in Germany is one of the best arguments for exporting elsewhere." An unmistakable sign: anecdotes have changed directions. People used to scoff several years ago at those industrialists who were panic-stricken by German standards or the exigency of the buyers of Kaufhof department stores who used to deliver late fanciful quantities and assortments of brassieres or green peas. Today they are putting forward the solid implantation of Moulinex, Allibert, Telemecanique, etc., and the more recent breakthrough of Hom and Eminence shorts, of Petitjean telephone poles, of GMF (Groupement Maison Familiale) houses or all kinds of cheeses which are found in the smallest German village.

"Unquestionably," it is remarked at Sogenal, "French PME [small and medium enterprises] are doing a better job of exporting." Large enterprises also. Robertson, general manager of Rhone-Poulenc GmbH at Frankfurt (with a 500 million German mark turnover), a huge Scotsman who has lived in Germany for 13 years, attests: "For a long period of time, the German market was almost on the same level as that of Malasia, worthy of receiving our exportable surplus. Then came a period when Germany was declared to have first priority, but our very scattered implantation hampered us, and sometimes French factories could not deliver to us as much as we were selling. Today we are completely reorganizing our commercial and industrial affiliates to apply a group strategy."

Export Better, Export More

"For three years, the trade deficit between France and Germany has been diminishing," the French in charge of foreign trade emphasize with satisfaction. In fact, industrialists are gradually making up ground, and the cover rate of our exchange is improving little by little: 76 percent in 1976, 83 percent in 1977, 86 percent in 1978, 87.7 percent in 1979. In absolute value the deficit remains large: 10,023 million in 1979, at least 26 million in 1978 (in part offset by a net surplus of 6 billion in service balances: thank you, German tourists!) But this adjustment is significant: today the healthy German outlook provides impetus for French exporters, just as the stability of the exchange rate between franc and German mark and an inflation rate one-half less gives Germans the advantage.

France also remains for transrhene industrialists a trading partner of vital interest, which buys 10 times more from them than Japan, twice as much as the United States, Great Britain or all of the East Bloc countries. All the fabulous clients of OPEC countries combined only amount to 2/3rds of the French market. The German Economics Institute, for instance, has just traced a composite picture of German enterprise: the PME of North Rhineland or of Westphalia (with a 25 million German mark turnover and 200 employees) exports 25 percent of its output, especially to France. "France exercises an exceptional attraction on the small German industrialist who wants to get a foothold abroad," a German banker living in Paris confirms. A small plant in Alsace or in Burgundy makes it possible not only to get around the obstacle of the mark but also to effect some very pleasant

visits." Guy Van Weddingen, of Belgian birth and president of the Henkel France board of directors, recalls the German saying: "God lives in France," before emphasizing the "extraordinary curiosity about and predisposition" towards France on the part of the managers of large German enterprises.

If the Germans have never invested so much abroad (6 billion German marks in 1978, probably 8 billion last year), France comes, depending on the year, in second or third place in their choice, after the United States and the Belgium-Luxemburg pair: 588 million German marks in 1977, 424 in 1978, 326 for the first quarter of 1979. This movement is all the more significant since, due to the franc's lightness, the reverse is somewhat less: 507 million German marks of French investment in Germany in 1970, when the mark was worth 1.50 francs, but only 274 million in 1978.

The presence of French industry in Germany is still betokened by very large enterprises, PUK [expansion unknown], Rhone-Poulenc, Michelin, l'Oreal, and by investments carried out before the Second World War in sectors such as metallurgy (Pont-a-Mousson and de Wendel in the Saar), glass (Saint-Gobain and BSN [expansion unknown] controlled the German industry until the recent withdrawal of Antoine Riboud's group), textiles (Texunion, Prouvost-Masurel). Nonetheless some companies still seem ready to pay the price of an indispensable presence. French distributors (Carrefour, Promodes) have only made several incursions beyond the Rhine. The Thomson conglomerate is sniffing out AEG Telefunken, the most serious invalid of the German electric industry, after having taken over control of Nordmende, the television manufacturer. Les Forges de Strasbourg have, with their American associate, Steel Case, just bought out Pohlshroder, the largest German business in their specialty, office furniture.

Technical Cooperation

In the absence of OPA or supervision measures, the engineers and researchers of the two countries have also formed close relations. And they have developed, under the wings of their governments, scientific and technological cooperation of considerable importance. It has often been rightly emphasized: the countries of Europe, and France and Germany in particular, have proved incapable of coordinated action on energy, in certain advance technology industry sectors (data processing) or even in threatened traditional industries. Textiles, siderurgy, shipbuilding have been reconverted in haphazard fashions and, these sectors, the French and Germans have not spared each other blows below the belt. But the two countries have occasionally been able to bury the hatchet, especially in the arms industry.

At the last summit meeting in Paris, the decision to jointly build the 5,000 offspring of the AMX [expansion unknown] and Leopard tanks made at least as much noise as the joint declaration on Afghanistan and detente. Some commentators are beginning to emphasize the fact that the German and French armies complement one another (of General Buis' analysis). The weapons industries are henceforth closely bound together by virtue of multiple agreements on development and manufacture which link, for planes, missiles, helicopters,

SAABs and MBs (Messerschmitt-Bölkow-Blohm), Dassault and Dornier, and today, for tanks, the GIAT arsenal and MaKraus-Maffei-Sonderstechnik factories.

Airbus and its offshoots, Ariane and its television or telecommunication satellites, here too, in the civil sector, are two programs of European cooperation in their assembly, but which, in fact, only exist owing to the Franco-German alliance. Here especially are two programs which are based not only on an (indispensable) political will, but also on "the truth of drawing boards, financing plans and commercial objectives." Airbus, yes, Concord, no! Specific agreements among industrialists to build satellites, yes; a vague process for fusing competing enterprises (Siemens and IIT plus Philips within Vidata, for instance), no! Undeniably, over the last two or three years, Franco-German (and thereby European) technological cooperation has become credible and strengthens the partners' weight on the international scene.

The battle is not completely won, not by a long shot. In Munich, Gero Madelung, president of the board of directors of MBB, the enterprise which is at the center of most of the Franco-German aeronautical and space projects, warns: "The success of Airbus sales should not delude us into thinking that Europe has overcome American industrial domination." And this German Jean-Luc Lagardère--the same age, the same interest in sports, the same profile of a manager-engineer--adds: "I keep telling my team: competition has just begun."

Susceptibilities

Spontaneous alliances between industrialists are also formed outside governmentally inspired programs or strategic sectors. Matra and the German VDO (expansion takeover) have just officially announced the pooling of their clock and watchmaking interests in a unified structure which will be directed by the Frenchman Etienne Cassagnol. A fine example of unified strategy to compete with the Japanese and American giants.

But one must labor under no illusion: this type of industrial integration still ruffles many susceptibilities. For a large part of French opinion, the 38 percent Hoechst holdings in Bussel-Uclaf capital represents seizure by Germans of French patrimony. René Lazz, Hoechst's number 2 man, an enlightened Francophile and convinced partisan of the mutual interests of the two countries, comments in perfect French: "Before the slightest financial participation, the researchers of Bussel-Uclaf and Hoechst were working together on the scientific level. Today, the association between the two enterprises is still based as much on scientists as on merchants. This is logical: the fields of research are so vast that no single team can accomplish everything."

Mistrust also continues to exist when cooperation is based on an obviously clear policy option. "It is not difficult to perceive that things go well when the German industry is in an inferior position, in aeronautics, for

instance, or when the Germans do not wish to move forward openly on the world market, in weapons, for instance," a French executive has pointed out. Other gossip adds: "If the current seems to be flowing so well just now between France and Germany, this is exclusively due to Volker Hauff, the minister of Technology and Scientific Research, the most planned-economy minded member of Schmidt's team, therefore the one closest to the French conception. But he is very much contested even within the government and if Strauss becomes chancellor, the first decision he will make will be to abolish this ministry. In his simple office in the Bundeshaus in Bonn, Kurt Biedenkopf, the most likely Economics minister of a Strauss administration, affirms in the name of the principles of market economy: "We prefer indirect assistance, fiscal, for example, to the policy of direct assistance being practised by the present minister." But, whatever the risks may be, scientific and technological cooperation between France and Germany has a good chance of remaining the essential motive force of their association.

Ten years were required to obtain the first real successes of this cooperation. That many again--from February 1979 to March 1979--were required to set monetary cooperation going. And the uncertainties of the former were bagatelles compared to the obstacles, the ambiguities and the misunderstandings which had to be overcome to clear the way leading up to a beginning of monetary unity. This is only normal: it is easier to abolish customs barriers and exchange automobiles than to pry open the doors of the Central Banks and coordinate economic policies. Sovereignty has more at stake there, and national pride as well.

For the French the test was occasionally humiliating--two withdrawals from the "monetary serpent"--but rewarding as well. They particularly learned from it that the competitiveness of an economy improves with the strength of its currency and not the reserve: the apparent handicap of a mark being constantly revalued resulted for German entrepreneurs in the advantage of a forward industrial redeployment. They also discovered from it the real nature of the German miracle: less inflation because of fewer inequalities, less frustration and more shared responsibility; "fewer bosses who want to have the last word," as the head of a very large German enterprise who knows France well put it, and unions all the more moderate in that they are held in respect. A working class represented on administration councils, with only half as much unemployment, and which vacations in the Balearic Islands or in Bangkok, obviously has some reason for believing that it is profiting from the fruits of growth.

All this did not prevent the birth of the European Monetary System [EMS] on 13 March 1979. And at the last summit meeting, several weeks before its first anniversary, the French and Germans were able to certify that the "EMS is working perfectly well." The arrangement has not really led to the desired harmonization of inflation rates on the downward side. In spite of everything, with France making some progress and Germany slipping to the point of deepening its balance of payments deficit and increasing the rise

of its prices, the two countries have drawn closer abreast. Even if the EMS has not always respected the terms desired by the Bundesbank, it has strongly contributed to harmonizing the cyclical adjustments of the two countries.

A Good Example

Election years (this fall in Germany, March 1981 in France) have made it necessary to postpone the next objective of the EMS: namely the creation of a European Monetary Fund and the elevation of the ECU, presently a simple accounting unit, to the rank of reserve currency. But, taking into account its first successes, France and Germany will have a good dossier to defend at the next western summit meeting, which is to be held in Venice this summer.

The currency is a good example of the Franco-German method. At first, the French feared the mark. How could you link the fate of the fragile franc to German bedrock? Then, with a dose of goodwill added, movement was instigated by means of advancing little by little. At each step it would prove to be necessary to obliterate the image of the earthenware pot walking with the cast iron pot. And there will be many more stages. The present situation makes it especially easy to clear new ones. Within the EEC the innate anti-Europeanism of the English can only contribute to a rapprochement between the French and Germans. "I am very much struck by the rapid progress of numerous French industrial sectors. The delays and difficulties of the British honorary president of the Deutsche Bank after having been one of the outstanding figures of the German miracle and monetary orthodoxy, this comparison is meant as a deceleration (sic) of confidence in France. Philip von Bismark, a German deputy in Strasbourg and one of the thinking heads of the CDU [expansion unknown], adds: 'We will not need an eternity to arrive at a solid unity: the next generation will not take as many precautions as we do with everybody's susceptibilities.'" On the international scene, France and Germany, "whose people have experienced the ordeal of two world wars on their soil" as the joint declaration of 5 February recalled, can also play a pacifying role between the two superpowers.

The French-German couple, the third superpower, is not yet a reality: it remains an act of faith. To be noted with prudence and vigilance: between the two world wars, there was no lack of well-intentioned people who desired and imagined Franco-German unity. And the balance of economic forces, in Germany's favor, will always leave open the hypothesis of a will to political domination by Germany. But confronted with increasing perils, whether localized in Kabul, in Berlin or in the Straits of Hormuz, this third force may become an urgent necessity.

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FRG'S STRAUSS INTERVIEWED ON ECONOMIC POLICY, DETENTE

Paris LE NOUVEL ECONOMISTE in French 18 Feb 80 pp 34-35

[Interview with Franz-Josef Strauss, minister-president of Bavaria, on 12 February--place not given]

[Text] Franz-Josef Strauss, minister-president of Bavaria and Christian Democratic candidate to succeed Chancellor Helmut Schmidt, was received Tuesday by Raymond Barre and various French personages. In the presence of his interlocutors, Strauss extolled joint Franco-German destiny and detente.

[Question] During the Franco-German "summit" on 5 February, Helmut Schmidt seemed to grant precedence to his European alliances in relation to his ties with the United States. Would you carry out the same policy if you were chancellor?

[Answer] I note some alarming contradictions in official statements proffered since this "summit." On the one hand we are announced a complete identity of views between France and Germany; on the other, our Minister of Foreign Affairs talks about indestructible solidarity with regard to the United States. We then hear that France will not take part in a "summit" of foreign ministers in Bonn, where she claims she was not invited. Well then, I would like to ask: just what did they talk about in Paris? Furthermore, I am surprised that after the Schmidt-Giscard meeting, need was felt to give supplementary explanations on the position of Federal Germany with regard to the United States or Europe. America is not, in my opinion, that disabled man they seem to represent to us, supported by two powerful allies who are bestowing their aid on him.

[Question] Do France and Germany joined together have an arbiter's role to play between East and West?

[Answer] I would not speak of arbitration. But let me give you an example drawn from history: the role Bismark played in 1877 to save the peace, when he organized a conference between the Russians and the English during the Russo-Turkish war. Of course, the relations he maintained at the time

with London and Moscow were not comparable to those France and Germany maintain with the Soviet Union and the United States. But I believe that every road which leads to détente is a good one. For my part, it is the one I shall follow.

[Question] You are the president of the supervisory council of Deutsche Airbus. If you become chancellor, would you pursue the programs of Franco-German technical cooperation even if they imply direct state intervention?

[Answer] I am one of the spiritual and political fathers of Airbus. As minister of Finance I signed an agreement of this nature in 1968. The English have now joined their French and German partners for production of a new model. I give my word to see this latter project through. For years, we had been warned of impending failure. But the work has borne fruit. The financial strength of two large industrial countries and the productive capacity of their respective industries were required to carry out a project of Boeing's size. I shall answer your question by an unconditional "yes." And if I am elected federal chancellor I shall occupy myself with giving more scope to Franco-German initiatives in this field.

[Question] Do you think that Chancellor Schmidt is right not to worry about the reduction of the German trade surplus, while the balance of payments is running up an increasing deficit?

[Answer] Our payments deficit is a disturbing phenomenon. It shows that we are living well beyond our means.

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CURRENT FRANCO-GERMAN ENGINEERING COOPERATION VIEWED

Paris LE NOUVEL ECONOMISTE in French 18 Feb 80 p 36

[Text] The Franco-German tank, offspring of the AMX and Leopard prototypes, whose joint construction Valéry Giscard d'Estaing and Helmut Schmidt agreed upon 5 February continues a long series of cooperative programs.

Airbus--a series of medium range wide-body carriers built by the European consortium Airbus Industrie, of which French industry holds 42 percent of the shares (SNIAS) and Germany 27.5 percent (MBB, VFW-Fokker); 257 planes have been sold, 147 retained on option.

Ariane--a rocket program administered by ESA (European Space Agency) and which is supposed to give Europe autonomy in the orbiting of satellites; France is underwriting about two-thirds of the program (4.5 billion francs) of which the CNES has charge; the German share amounts to 20 percent; the first successful firing was carried out 24 December 1979. Three other firings are planned by 1982.

Satellites--Symphony, the first Franco-German satellite (two models were placed in orbit in 1974 and 1975, using American launchers) has given birth to the Eurosatellite pool (Aerospatiale and MBB); Mesh, which regroups Matra, Erno-VFW-Fokker, British Aerospace, Aeritalia and Inta (Spain), has already delivered 8 satellites to the ESA and its partners will have a share in the Telecom 1 satellite, of which Matra is in the charge; finally an association between Aerospatiale and Thomson-CSF on the one hand, MBB and AEG-Telefunken, on the other, has just been formed for the Franco-German television satellite.

Alpha-Jet--a military training plane developed 50/50 by Dassault-Breguet and the German Dornier; 495 planes have been sold.

Transall--a troop transport plane developed 50/50 by Aerospatiale on the one hand, MBB and VFW-Fokker on the other; 178 planes have been sold (50 others are in production).

Missiles--the second generation of tactical missiles (Hot, Milan and Roland) has been developed 50/50 by Aerospatiale and MBB within the framework of Euromissile; last December an agreement in principle was signed to associate British Aerospace for the third generation.

TKF 90 (Tactical Combat Aircraft for the 90s)--a fighter project under a study between Germany (MBB), France (Dassault-Breguet) and England (British Aerospace).

PAH 2--an anti-tank helicopter project (MBB and Aerospatiale).

Super-Phoenix--the Germans will only participate indirectly in the construction of the breeder reactor, the bulk of whose financing is underwritten by France (EdF 51 percent) and Italy (Enel 33 percent); all the European countries are associated in research on thermonuclear fusion (JET: Joint European Torus).

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FLEMISH SOCIALIST LEFT WANTS CHANGES WITHIN PARTY

Brussels LE SOIR in French 6 Mar 80 p 2

[Article by M.B.: "The Congress of Flemish Socialists Will Be Led by Its Left Wing"]

[Text] This weekend, Flemish socialists are going to attend a feverish statutory congress. A large-scale offensive is, in fact, being led by the left wing of this party to obtain a more democratic internal operation, a more radical orientation of political objectives, and above all, a better agreement between statements that are made and political actions. DE NIEUWE MAAND, a periodical in which Flemish socialist left-wing militant intellectuals express themselves, is devoting a review issue to the preparation of this congress.

The fundamental thrust of this review is simple: it outlines a ruthlessly negative evaluation of the political line imposed since the post-war period so that the need for a profound change in attitude will be acknowledged.

The authors of the articles in DE NIEUWE MAAND didn't mince any words! As far as they are concerned, there is only one alternative for the BSP [Belgian Socialist Party]: "change or die!" Their diagnosis of political practices of the recent past is harsh: "a lack of democracy within the party, a lack of long-term political vision, attention fixed almost solely on problems of material advantages, a false image of the idea of the statesman, reluctance to deal with the electorate, errors in evaluating what is involved in the evolution of the organization...."

Do What Is Said!

On the whole, the Belgian Socialist Party is the only one which hasn't followed the rise of the socialist parties in Europe, says the DNM [expansion unknown], which accuses the socialist leaders of the post-war generation of being short-sighted and of having practiced only "beefsteak socialism."

"Although the socialist party always affirms a revolutionary doctrine, its political action is in keeping with moderate reformism."

In their analyses, the authors show that the common front of unionism does not extend, as socialist leaders had hoped it would, to the political level. They say that the BSP in Flanders must become the rallying point for leftist opinion. According to them, the BSP is the only party which can play this role alongside of a centrist party like the CVP [expansion unknown] and a right-wing formation like the PVV [expansion unknown]. But to do that, it is, above all, necessary to define an image of the organization which will be acceptable to both the free thinkers and the leftist Christians.

Let the Rank and File Be Heard

They also believe that to be in touch with public opinion, the party must be continually attentive to the demands of the rank and file. To do this, we must avoid having seated above the rank and file militants, a board of all-powerful representatives who believe that they are omniscient. In the DNM, and in the daily LINSK, a series of demands were issued to the congress for a "socialism of combat." These included easier access for young people and women to positions of responsibility in the trade unions and at the level of the governing body of the party, arranging to have one-half of the members of the governing body be "non-representative," and relaxing the conditions of eligibility. Up to the present time, observe the left-wing socialists, young people are still kept on the fringes of the BSP, while women have almost no part, and therefore, become involved in feminist organizations. Anyone who wishes to become a candidate as a future representative must be, at one and the same time, a member of the party, of the trade union, of the insurance organization, of the cooperative and readers of the socialist press! The protestors claim that they are against a plurality of mandates, and for the principle of separation between the party and the other organizations in the socialist movement.

The authors of these proposals are paying homage to changes already brought about in the management of the party and to the climate created by Willy Claes, former president and minister of economic affairs, and Karel Van Miert, the current president, who, incidentally, has every chance of being reelected. However, it is their intention that the party not stop half-way, and that they open the windows wide to let in a strong current of fresh air. Now we must see whether those who are now in the most visible positions in the BSP will undertake to establish a small opening.

9174

CSO: 3100

DISTRIGAZ BUYS NIGERIAN NATURAL GAS

Brussels LE SOIR in French 6 Mar 80 p 2

[Article by F.D.B.]

[Text] Beginning in 1985, Belgium will be receiving Nigerian natural gas. It will be delivered by methane tankers and can then be offloaded at Zeebrugge as soon as the terminal, which has been designed especially to receive natural gas from Algeria, is completed.

This Nigerian gas will be added to the quantities which we are already receiving, not only from Algeria and the North Sea (Ekofisk), but above all, from the Netherlands. However, it is expected that as early as 1987 the Dutch deliveries will begin to diminish gradually.

The contract signed by Distrigaz, our importer-distributor, with Nigeria constitutes an operation of diversification and expansion of our sources of supply of natural gas. On 29 February, an agreement was signed between, on the one hand, the Nigerian company "Bonny LNG Ltd" (whose principal shareholders are the Nigerian National Petroleum Corp, and a series of oil companies: Shell, BP, Philipps, Agip and Elf-Aquitaine), and on the other hand, by a consortium of European gas companies. In addition to Distrigaz, this includes the SNAM [National Gas Pipeline Co] (Italy), Gasunie (Netherlands), Enagas (Spain), Gaz de France and the German companies, Thyssengas, Brigitta and Ruhrgas. The contract, for which negotiations began several years ago, covers the delivery of 8 billion cubic meters per year to be distributed among the members of the consortium. An equivalent volume will be delivered to some American companies.

Remember that Nigeria is the largest African producer of petroleum (120 million tons per year, or one-fourth of the Saudi or American production), and that it has very large reserves of hydrocarbons. The contract which was just signed will require the Nigerian "Bonny" company to build plants for liquification of natural gas. Six liquification lines are planned. They represent an investment of \$10 billion. The gas will be shipped to the European and American unloading sites in methane tankers, and consequent v in liquid form. The Zeebrugge terminal, which should be ready by

the time the first quantities of Nigerian gas are delivered, that is, in 1984-1985 or sooner, will then have new justification.

The question of the price of this gas still hasn't been resolved, but judging from the history of the attitudes of the natural gas producers (Algeria and also the Netherlands), there is no point in expecting any gifts from them. From now on, the price of gas will definitely be related to the price of oil.

9174

CSO: 3100

ECONOMIC VIABILITY OF SOVEREIGNTY-ASSOCIATION PLAN DISPUTED

Economists For Plan

Montreal LA PRESSE in French 10 Apr 80 p A 11

[Article by Alain Dubuc]

[Text] For more than 60 Quebecois economists, all of whom are university professors, the sovereignty-association plan is "economically viable," even if the rest of Canada refuses to negotiate the association.

That is what spokesmen for 64 university professors said when they announced publicly yesterday their decision to vote "yes" when the referendum is held. There are several "big guns" among this group.

These economists, who held five press conferences on the same day throughout the province, represent more than half their profession, since there are about 120 economists in the French-speaking Quebecois university network.

"The sovereignty-association plan is economically feasible, both from the monetary and the fiscal, industrial and financial standpoints," group spokesman Luc-Normand Tellier, professor at the UQAM [University of Quebec in Montreal], announced in Montreal, summing up the thinking of his colleagues.

"As university professors and economists, it is our opinion that sovereignty-association is not only viable but even profitable, if Quebec uses judiciously the supplementary margin for maneuverability which it would obtain," Pierre Fortin, of Laval University, said for his part.

"This situation would not even be seriously threatened by a highly improbable refusal to negotiate on the part of the rest of Canada," he went on to say.

These economists, authors of a great many studies on the question of Quebec, both for the Bonin Committee in Quebec and for the C.D. Howe Research

Institute, took a step unusual in their profession by making a commitment in the political sector.

"In the past," Tellier noted, "economists have been reticent to make a commitment in the political sector for professional reasons." Several of them, concerned about maintaining their objectivity, did, however, refuse to make public statements, while the majority of them describe themselves as nonpartisan and careful not to be identified with the Parti Quebecois.

The 64 economists who voted "yes" also see their action as the expression of a "professional judgment."

"I gave my answer as a technician," was the manner in which Vely Leroy, director of the Department of Economic Sciences of the UQAM, emphasized his position. "And there is no technical problem in this plan. I do not see why that would not be economically feasible," the specialist in monetary matters added.

In Quebec, economists at Laval University, through spokesman Pierre Fortin, listed five factors which, according to them, would increase the income of Quebecois within the framework of sovereignty-association.

These considerations deal first and foremost with the balance of trade between Quebec and Ottawa, the famous dossier of economic accounts in which, within the framework of sovereignty-association, the disadvantages would be offset by the advantages. According to Pierre Fortin, this is a sector in which there would be no particular problems, especially with respect to the payment of old-age pensions and other transfers.

The economists feel, moreover, that Quebec would gain in this plan thanks to economies which will permit the ending of duplicate services, government action closer to the preferences of Quebecois, economic development policies better adapted to the needs of Quebec and a policy of budgetary stabilization which will take into account Quebec's specific situation.

An Elite Group

These university professors in a way constitute an elite group in the world of economists. In general the holders of doctorates who are basically devoting themselves to research, they are distinguished from the approximately 1,200 economists in Quebec, the majority of whom are either civil servants or CEGEPS [expansion unknown] instructors.

The following names are to be found on the list: Francois-Albert Angers, Pierre Harvey and Roland Jouandet Bernadat, of the School of Higher Commercial Studies; Vely Leroy, director of the Department of Economic Sciences of the UQAM, as well as 14 other professors of that institution; 15 professors from Laval University, including Pierre Fortin, Pierre Frechette and Henri-Paul Rousseau; Camille Bronsard, Lise Salvat-Bronsard and Andre-Pierre Contandropoulos, of the University of Montreal.

It should be noted that the last-named institution is underrepresented with 5 names, compared to the 34 professors from various departments of the University of Quebec, or even the 5 professors from the University of Sherbrooke.

Economists Against Plan

Montreal LA PRESSE in French 11 Apr 80 p A 11

[Article by Alain Dubuc]

[Text] Pierre-Paul Proulx, president of the Association of Quebecois Economists and one of the 300 members of the committee of Quebecois voting "no," personally challenged the arguments brought up this week by 64 university economists to justify their decision to vote "yes" when the referendum is held. Proulx, professor of economics at the University of Montreal, notes in the first place that the economists in question represent only 5 percent of the profession.

Calling upon history, Proulx feels that we cannot attribute the movement of economic activity toward the west to federalism because several other factors have entered into this process, such as the location of natural resources and because these choices were often made by private enterprise, particularly American enterprise.

The economist believes on the contrary that only federalism can act as a counterbalance to this movement toward the west, while sovereignty-association would leave Quebec at the mercy of market forces. Proulx also maintains that a Quebec which would repatriate its taxes would be an impoverished Quebec, basing its decisions on unavailable data.

Proulx is considering proposing that the Association of Economists of which he is the president, with a membership of 700, consult its members and announce its position in the referendum debate during its congress at the end of the month.

8143

CSO: 3100

DORTE BENNEDSEN, CONTROVERSIAL EDUCATION MINISTER

Copenhagen BERLINGSKE TIDENDE in Danish 7 Feb 80 p 1

[By Solveig Roedsgaard: A Minister Against the Wind]

[Text] The Johannes School affair has created a furor over Dorte Bennedsen's term as Education Minister. But all the fuss could turn to approbation, when the proposal concerning the education of 16- to 19-year-olds comes before the Folketing by the end of this month.

Much talk and no action. Inactivity in the field of education. What has the Education Minister Dorte Bennedsen really done, besides saying "No" to a government loan to the Johannes School?

Many politicians have expressed this opinion, now that Dorte Bennedsen has occupied the education minister's seat for one year. She is not as dynamic as her predecessor, her political opponents say. On the other hand, her opinions are not as ideologically fixed as Ritt Bjerregaard's, and that could be a strong point.

One of the education minister's opponents is Bertel Haarder, of the Liberal Party. He believes that Dorte Bennedsen "sometimes goes and hides over in the Ministry and forgets to take the political action which is necessary." He adds:

"I believe that she has a better relationship with her staff than her predecessor, and she is also more dependent on them. But the final evaluation will come when we see if Dorte Bennedsen can succeed in getting anywhere with the education of 16- to 19-year-olds. If, despite the endlessly long wait she actually succeeds in getting it through the Folketing, then we will take our hats off to her. Then she will have gotten farther than Ritt Bjerregaard."

Sixteen- to Nineteen-Year Olds

Dorte Bennedsen has spoken for a long time about the education of 16- to 19-year-olds. But now something is actually going to happen in that area, she promises.

Before the end of February the minister will present a bill concerning the principles for the education of 16- to 19-year-olds, with proposals concerning compulsory school years.

"This bill will be decisive, because there is not much left, so to speak, to take a stand about. But from the debate last year in the Folketing, I conclude that the general attitude is very positive, and there is a recognition of the necessity for stronger opportunities for technical education, in view of the large enrollment increase in the gymnasiums."

Another big development which can be expected from the education minister is a bill concerning alterations in the state education subsidy. These alterations were already announced in the Prime Minister's opening address in November, and Dorte Bennedsen hopes that the bill can be put through by the end of spring, even if it does not manage to be enacted during this session.

Johannes School

But nowadays it is one "No" vote from the education minister which is the subject of the most discussion. A "no" vote to a deferred payment government loan of 17 million kroner to the Johannes School at Fredriksberg for the construction of new buildings at a different site. In December, Dorte Bennedsen sent a request to the Finance Commission of the Folketing concerning those 17 million kroner, with the comment that: "It is apparent that the school as an institution will have to be discontinued, if it does not find a new and better location, since there is widespread agreement that the school cannot continue in the existing facilities, which are completely deteriorated."

What happened, then, between 4 December, when the request was sent to the Finance Commission, and the end of January, when Dorte Bennedsen withdrew the document?

Dorte Bennedsen emphasizes, "When I decided at that time to send the matter to the Finance Commission, it was exclusively because of the positive assurances which I had been given earlier. But when I received requests afterwards from the finance minister to cut back expenses, then I had to reconsider."

"I have also had to cut costs on other projects. And this budget cutting has not been in any way directed against the public schools or free private schools. But on the other hand, I have felt that the private sector cannot remain free from budget cuts."

Of course, the Johannes School affair has not gotten less controversial from the fact that the local politician and Finance Commission chairman Kristian Albertsen, in a letter to the education minister at that time, Ritt Bjerregaard, asked her to drop the government loan proposal, even though Albertsen had voted for an extension of the school's construction

deadline, under local jurisdiction. Ritt Bjerregaard caught Kristian Albertsen in this contradiction, and said "no" to cancelling the government loan.

Difficult

Dorte Bennedsen did not do that. And people noticed it. Has it been at all difficult to take over Ritt Bjerregaard's position?

"Everyone knows how I became minister. So naturally, I thought it over ahead of time. The work load is heavy, but the work is very exciting, even though I was about to drown in it at first. But when the election was over, I thought about it, anyway, and figured that it would be a shame if I left the ministry of education."

Dorte Bennedsen, 41, graduate in theology, became a member of the Folketing in the 1975 January election. She had been minister for ecclesiastical affairs from 1971 to 1973. And that was a tough experience, she later admitted. To come from outside, without experience, to the Folketing, and then to work as a minister, is difficult.

Experience

When she said "No, thanks" in 1977 to Anker Jorgensen's offer to become Environmental Minister, it was because she wanted more parliamentary experience. And she thought she had acquired it by the time in January 1979 when she agreed to take the position of education minister.

That parliamentary experience was achieved via a position as vice-chairman of the Social Democrat group from 1977 to 1979, membership in the Folketing's Political-Economic Commission, and chairmanship of the Folketing's Industrial Commission. At the same time, she was also chairman of the Consumer's Council.

Family

Dorte Bennedsen speaks quickly and copiously, and has a marked sense of humor. She stresses the fact that her name is Bennedsen. But she does not want to escape--and cannot escape--the fact that she comes from the Koch family. People say that she talks so quickly because, with her politically active parents and three equally active older brothers, she had to be able to involve herself in that circle since she was quite small.

Dorte Bennedsen's father, Professor Hal Koch, doctor of theology, died in 1963. Her mother, the former minister Bodil Koch, died in January 1972. So Bodil Koch was able to live to see her daughter sit in the church minister's seat which she herself had previously occupied.

Name

The minister acquired her last name, Bennedsen, in 1961, when she married the physician Jorgen Bennedsen, the son of a clergyman. She acquired her first name, Dorte, officially in 1971, when she legally changed her name. She was christened Marianne Koch, but had always been called Dorte. "A girl should be called Dorte," was her father's opinion. So problems arose when, in 1971, she unthinkingly signed her first official document as "Dorte Bennedsen." An official name change was necessary.

Dorte Bennedsen and her husband have three children, who are now 17, 15 and 13 years old. They are used to managing by themselves. Dorte Bennedsen has always worked outside the home, and because of this, division of the household chores has been a necessity.

Schooling

The Education Minister matriculated from Metropolitan School in 1956. Before that, she attended an experimental school, Emdrupborg Experimental School, which she enjoyed. In 1968 she was involved in starting a free private school in Copenhagen, of which she was the principal for two years. "There was no political motivation at that time to give the grammar schools opportunity for experimentation," as she said afterwards.

Her own children? They started school in a free school and afterwards went to the local community school. Now the oldest child attends Falkoner-gaard Gymnasium, and the two younger ones go to the State Pedagogical Experiment Center in Rodovre.

9584

CSO: 8113/0888

FRG-GDR RELATIONS SAID TO BE UNAFFECTED BY AFGHAN CRISIS

Hamburg DER SPIEGEL in German 7 Apr 80 pp 21-22

[Article: "Sheltered from the Wind"]

[Text] The relationship between the two Germanies, which had its ups and downs even in the heyday of detente, has not suffered because of the Afghan crisis. At the middle of April, SED Politburo member Guenter Mittag, the highest-ranking GDR functionary ever will be coming to Bonn to meet with Chancellor Schmidt.

Even seasoned Ost-politicians in Bonn find it hard to believe: East-West relations are headed for a dangerous low in the wake of the Soviet invasion of Afghanistan; a trade boycott and a boycott of the Olympic Games are in the offing, and the arms race seems bound to intensify— and here are the Germans, in the midst of the international crisis, carrying on with detente as if nothing happened.

It is an astounding change which, for all that, has gone almost unnoticed. For decades, the two Germanies acted as a most sensitive seismograph for international tremors however small, the neuralgic spot being West Berlin. But now, it seems, they can ride out even medium-sized quakes with relatively little damage. "It is quite fascinating," a Bonn GDR expert says, "at times one has the impression that we are sheltered from the wind."

Gunter Haarker, minister of state in the Chancellor's Office, calls the quiet on the German-German front "proof of the effectiveness of our treaty policies." The SPD politician responsible for coordinating Bonn's GDR policies says: "It is all to the good that our relations have remained businesslike and constructive in spite of international tensions."

The only visible consequence of the Afghan crisis for inner-German relations thus far: East Berlin requested an indefinite postponement of Chancellor Schmidt's not yet firmly scheduled meeting with SED chief Erich Honecker. But in making the announcement, both sides played it cool so as not create the impression that anything was amiss.

The motto is business as usual and there is no dearth of additional gestures of friendship on the part of the Germans both East and West.

Since the start of the Afghan crisis, Bonn's representative in the GDR, Guenter Gaus, has become a special favorite of the East Berlin leadership. At the New Year's reception in the Council of State building Honecker offered a cordial toast and then took Gaus aside for a friendly chat— and that was just two weeks after the Soviet action began. On 20 February he received Gaus for another private meeting, the second in less than three months. Normally, Gaus has to wait for months for an appointment. And, rumor has it, the Chancellor and the SED chief have been on the telephone twice since Afghanistan.

To represent him at the Leipzig Spring Fair, Helmut Schmidt, sent his minister of agriculture as a good will ambassador. In the GDR, Ertl then called his visit "proof of our intention not to dramatize the situation but to do our bit for maintaining normal conditions in Central Europe." This, he said, was the "express wish" of the Chancellor.

The GDR reciprocated by providing important people to talk to Ertl. First, it was Foreign Minister Horst Seehofer and then Gerhard Gruenberg, the Central Committee Secretary for Agriculture and member of the SED Politburo, who sat with Ertl for a lengthy exchange of views.

And the German-German spring rites keep rolling along. Week after next the highest-ranking GDR functionary ever will be coming to Bonn— Guenter Mittag, a member of both the Council of State and the Politburo.

The SED economic chief is visiting the Hannover Fair on 16 April. On the same day he is continuing on to Bonn as the guest of Minister for Economics Otto Graf Lambedorff, who paid him a visit in East Berlin in March 1979. On the following morning Mittag will be meeting with the Chancellor.

No specific topics for discussion have as yet been agreed upon. When Lambedorff visited East Berlin, Mittag handed him a draft of a long-term cooperation agreement patterned after the one concluded between the FRG and the Soviet Union— a project the federal government has long viewed with skepticism because of the special nature of inner-German trade.

Meantime, the GDR seems to have lost interest in the proposal. Bonn does not expect detailed negotiations to take place during the Hittag visit, but rather, so Huonker says, a political and economic tour d'horizon.

Gaus and GDR State Secretary Alexander Schalck-Golodkowski, on the other hand, will be attending to final details of agreements on protecting waterways and improving inner-German communications routes amounting to about DM 500 million.

Chancellor Schmidt had introduced a delay in the negotiations when he informed East Berlin that Bonn would pay DM 250 million instead of DM 300 million for enlarging the Herleshausen-Wartha border crossing. "But that no longer is a problem," an assistant of the Chancellor's said. "We are in the process of obtaining bids from several West German firms." Bonn sources now expect the agreements to be concluded by the end of this month.

Not even harsh words by the Chancellor which used to cause hyper-sensitive reactions in East Berlin now are likely to upset the German-German relationship.

Which is why Gaus would have been more than happy to tackle the next major project right away: the electrification of all five rail lines to Berlin and construction of a soft coal-fueled power station near Leipzig with power lines to West Germany and West Berlin. But Helmut Schmidt stayed Gaus' hand.

The GDR leadership accepted Schmidt's decision that Gaus' "baby" would not be up for discussion "for some time" with calmness and without complaining.

Relations between East Berlin and Bonn are so businesslike these days that politicians committed to an inner-German good neighbor policy are willing to forgive the Chancellor for many a critical remark he made in the past.

For years they accused Schmidt of limiting inner-German relations to the construction of Autobahnen and waterways. Now, in the midst of a world crisis, this seems to be the proper way of handling things to them. "Neither side is being overtaxed," a Bonn ministry official says. "We are protecting our interest in further improving inner-German linkages and the GDR is looking to its economic advantage."

Bonn sources admit that all this might still lead to trouble in view of adamant U.S. demands for a boycott of the Soviet Union. "It stands to reason," Minister of State Huonker says, "that we do not conduct inner-German policy in a vacuum."

The acid test will come in May at the latest when the federal government will have to make a firm decision on the Olympics. But just in case Bonn keeps the faith and supports Washington, East Berlin's big brother will be ready.

As long as economic cooperation does not suffer, Soviet diplomats say, there is no reason an Olympic boycott cannot be overcome. "It will all be over in August," they say, "and then we shall see."

9478

CSO: 3103

EFFECT OF BALANCE OF PAYMENTS DEFICIT ON MONETARY POLICY

West Berlin DIW WOCHENBERICHT in German 20 Mar 80 pp 130-132

[Article: "Federal Republic of Germany: Balance of Payments Deficit Determines Restrictive Monetary Policy"]

[Text] Since the fall of last year, the economic development in the Federal Republic of Germany has been showing signs of a gradual slowdown. To be sure, the GNP again showed an increase during the last quarter, exceeding the level of the corresponding period of the preceding year by 4.5 percent. However, the improvement over the third quarter is based almost entirely on the increase in industrial production until October. Considered on a monthly basis, the subsequent production increases were insignificant. With due regard for seasonal fluctuations, production in the construction sector in January likewise showed no increase over the fall. Both the slowdown in this sector and the stagnation of industrial production are attributable to the drop in demand observed since the summer.

To be sure, in nominal terms the seasonally adjusted volume of new orders received by the manufacturing industry in January showed a marked increase over December. Essentially, however, this "recovery" merely served to offset the decrease during the preceding months. Moreover, considering the price component of the new orders received, one notes a decline in comparison with the fall.

Remarkably, the volume of foreign orders received exceeded that of domestic orders. For the most part, the difference is due to the larger volume of orders placed with the capital goods-producing industry. In this branch, the volume of foreign orders received--considered over a period of several months--showed a clear increase, whereas domestic orders showed an almost equally pronounced decline. Detailed branch-specific information was not yet available for this analysis; however, there are many indications that the unsatisfactory situation regarding new orders in the capital goods sector as a whole and the difference between domestic and foreign orders are attributable above all to the automobile industry: In the last few months, the volume of domestic orders received has decreased considerably.

On the other hand, reports from the branches of capital goods producers in the narrowest sense, above all from the machine building industry, indicate a continuing favorable development in domestic demand as well.

In the consumer goods industry, new orders received have been on the increase. With certain qualifications, this also applies to the basic and producer goods industries, although here there are clear indications of a slowdown in the replenishment of stock, which had stimulated production in the preceding year.

The definite, albeit by no means dramatic, economic slowdown has not yet spread to the labor market. By February, the number of unemployed, seasonally adjusted, had declined, while the number of available positions had increased. Although this appears to be indicative of a continuing rise in employment, recent statistical data are not yet available. It appears that so far it has always been possible smoothly to absorb the increase in the number of persons capable of gainful employment. It is above all younger workers, especially trainees, who are likely to benefit from the rise in employment.

The ambivalent influence of the foreign trade sector on the economic development in the FRG makes itself felt more and more. Whereas the foreign orders placed with German firms during the last few months had a stabilizing effect, the price-related effects were destabilizing, and increasingly so since the outbreak of the Iranian crisis a year ago. This is reflected in the accelerated rise in import prices--most pronounced in regard to petroleum and raw materials--and, bound up with this, in the rapid deterioration of the FRG's balance of payments. The Federal Republic's traditionally favorable trade balance has deteriorated to such an extent that the customary deficits in the services and transfer balance could no longer be compensated, and presently it appears that the trade balance is becoming deficitary. At the same time, the 1980 payments balance deficit is expected to total over DM 20 billion, as compared to a deficit of DM 9 billion for the previous year.

The rise in import costs, which underlies this reversal in the balance of payments and which could not be compensated by price hikes in the export sector, affects in varying degree the price development at the FRG's individual production and trade levels. There is a sharp decline in the price increase rates, ranging from the import prices (December 1979 as compared to December 1978: +22 percent), the wholesale prices (+10 percent), the industrial producers' prices (+7 percent; including basic materials and producer goods (+16 percent)) to the retail prices (+5.5 percent). All in all, the rise in import costs at all levels has accelerated the upward movement of prices. However, the frequent practice of interpreting the differences in the rates of increase as an indication of a forthcoming accelerated increase in consumer goods prices is not justifiable. For the differences in the rates of increase are only to a limited extent a reflection of increases not yet passed on; they are

largely attributable to the differences in the import share of the turnover rates (commodity baskets) of the individual trade and production levels. So if there are no new increases in import costs, one need not fear from this side any serious further acceleration in the rise of consumer prices.

As regards the development of the most important domestic cost factor, the wage level, the trend--crystallizing from this year's collective bargaining round--toward wage agreements providing for increases of approximately 7 percent conforms to a large extent with the price stability and real income requirements deriving from the original situation. Of itself, this trend allows first of all to restrict the increase in consumer prices to the latest rate measured and, above all, to keep a clear distance from the price increase rates of most of the other Western industrialized countries. This will be of great importance in regard to the development of the deutschmark's exchange rate and of the Federal Republic's capital balance in the near future.

The FRG's agencies in charge of economic policy are confronted with the difficult task of slowing the rise in prices and of restricting the increase in the balance of payments deficit, without adversely affecting the as yet favorable economic conditions.

On account of the change in the payments balance, the strong demand of previous years for the deutschmark, the investment currency internationally favored along with gold and the Swiss franc, was replaced by the demand for the international tender, the dollar. The high-interest policy of the United States, which created enormous interest differences vis-a-vis the Federal Republic, has made the dollar an attractive international investment currency as well. The interest-induced capital outflow from the Federal Republic has ever since been adding to the devaluation pressure on the deutschmark. Thus price hikes abroad are no longer mitigated by exchange rate fluctuations; increasingly, they are passed on to the domestic sector.

The Federal Bank has countered the deterioration of the balance of payments by raising the prime interest rate so as to reduce the difference vis-a-vis the foreign interest level; dollar sales are another measure intended to prop up the deutschmark's exchange rate. Since these measures slow down the expansion of the money supply--possibly even more radically than is economically justifiable--the Federal Bank from time to time relaxes the monetary restraints, as it did recently by raising the rediscount rates and by removing the restrictions on collateral loans. This combination of measures is risky, however: The exchange rate stabilization and the high-interest policy are complementary and serve two economic objectives simultaneously, namely "price level stabilization" and "balance of payments equilibrium." They forestall an international loss of confidence in the value of the deutschmark and counter the import of inflation. However, these objectives clash--at least in the short term--with the growth and employment objective. For credit restraints not only limit the margin

available for passing on price increases, but also restrict production possibilities and thus push marginal enterprises out of the market. This danger will be especially great in the next few months, since the credit squeeze coincides with continuing high prices for the imported advanced services and with an accelerated increase--accompanied by practically stagnating production--in the labor costs per unit (1980: 5 percent; 1979: 2.6 percent). In such a phase, the pressure exerted by a restrictive monetary policy on the overall economic development makes itself felt especially strongly.

Thus there is no doubt that the Federal Bank is facing a dilemma: Whereas the favorable domestic outlook suggests a loosening of the monetary restraints, the situation in the foreign trade sector calls for a continuation of the restrictive policy. The only short-term solution conceivable would be the termination of the high-interest policy pursued by the United States and a reversal of the exchange rate expectations--and thus of the capital balance. As long as this is not the case, the Federal Bank will have to try on the one hand to keep to a minimum the difference between the domestic and the foreign interest levels and to prevent a further decline of the deutschmark's exchange rate, and on the other hand, through moderate expansion of the banks' refinancing margin to provide room for economic growth and the inevitable price hikes. However, it is impossible to predict for how long such a policy can be continued.

In view of the foreign trade-determined emphasis of monetary policy, fiscal policy should assume the major share in the economic stabilization. At the very least, it should compensate any foreign trade-related drop in demand. In view of the demonstrably great effect of the program for future-oriented investments on the economic upswing of the last 2 years, it is clear what course should be followed. State-initiated investments in sectors such as environmental protection, energy or modernization of housing would serve to offset the decline that is to be expected in exports, housing construction and private consumption. The foreign aid programs not included in the draft budget (Turkey, Greece) will be at variance with financial policy requirements, namely further reductions in purchasing power, if they are financed through cuts in other budget items. It is uncertain how much of this money will return to the domestic economy in the form of demand and it is impossible to predict the time lag involved. The state justifies this form of financing new projects by pointing to the need for a balanced budget. This involves the risk of an economic setback that through a decline in tax revenue could be bound up with an increase in state deficits, which would be larger than the increase to be expected in connection with a compensatory fiscal policy.

If at this point the state shuns demand-supporting expenditures, massive pump-priming measures will later be all the more imperative. Such measures would then be no more than a reaction to a full-blown recession. In the medium term, such an economic slump would also complicate the implementation of technological innovations and thus weaken the export capacity of the German economy. However, consolidation of the export sector is of crucial importance in preventing the development of a chronic deficit.

FINANCE MINISTER ON TAXES, STATE DEBT, INTEREST RATES

Hamburg DER SPIEGEL in German 7 Apr 80 pp 37-48

[Interview with Finance Minister Hans Matthoefer: "Strong Language of No Avail"]

[Text] SPIEGEL: Mr Minister, at every opportunity these days you point out that we have reached the limit of our financial capabilities. You are taking money away from your fellow cabinet members and are blocking all new budget requests. Have the socialist-liberal coalition and its finance minister been living above their means ?

Matthoefer: Not at all. We have been acting sensibly from an economic point of view. But we have now reached a point where I must come out against legislation committing us to new expenditures so that we can continue functioning properly and can keep our options open.

SPIEGEL: You are justifying your new role as an economizer by pointing to the oil price increase and the FRG's international obligations. Both of these factors were predictable. How then did you get yourself into this mess ?

Matthoefer: There is no mess. We have said no to a tax cut in 1980 such as was demanded by the opposition and by the public. That is why the federal government is in a position to act today on defense matters and on development and economic policy.

SPIEGEL: But its ability to act comes to an end, it seems, when it has to prepare a DM 2 billion supplementary budget such as it now needs to do. Then every last penny has to be scraped together.

Matthoefer: On 30 April the balanced supplementary budget will be passed. The fact that we can find the money for additional expenditures is proof of our ability to act.

SPIEGEL: Now you have to fall back on monies which were earmarked for projects that made sense, like the environment. You could have avoided that, if you had gone after budget items which made less sense in time.

Matthoefer: This business of cutting down on subsidies is just smart-aleck talk. I am getting somewhat tired of hearing it over and over again without anyone actually saying what should be cut, what makes sense and what does not and what is outdated.

SPIEGEL: Would you consider it smart-aleck talk to call for cutting the subsidies for savings bank depositors and for creating private means which are going to cost DM 7.3 billion this year?

Matthoefer: I am not in a very good position to defend depositor subsidies, having come out against them orally, in writing and whenever the measure was voted on. In the early sixties I was the only SPD deputy who joined the FDP in voting against the 312-Mark law because I have always felt it was wrong to assume that an economic situation might not arise which could be marked by a tendency toward excessive savings.

SPIEGEL: But even holding the post of finance minister, you are not strong enough to do away with this subsidy.

Matthoefer: Even if I could, it would take 7 years to have any effect.

SPIEGEL: One has to start some time.

Matthoefer: Certainly. But it is difficult to get a political majority together in the FRG willing to support a cutback such as this. Strong language, at any rate, is of no avail.

SPIEGEL: Was there ever a better time than the present, what with practically everyone convinced that we need to tighten our belts?

Matthoefer: Not just now, at the very end of the legislative session. This is a very controversial issue which would have to be tackled during the first few years of a legislative session.

SPIEGEL: Then it will never happen.

Matthoefer: I have no objections to it. Subsidizing savings deposits is a dubious business, in my opinion.

SPIEGEL: We would like to ask you about some other subsidies.

Matthoefer: Go ahead!

SPIEGEL: What about farm subsidies; there is an uncontested experts' report which says that farmers enjoy a tax abatement amounting to far more than DM 2 billion.

Matthoefer: I submitted a bill and it passed the Bundestag which guarantees just taxation in the farming community. It will bring in about DM 300 million in revenue. The CDU/CSU Laender in the Bundesrat, for their part, have made proposals which, if realized, would cause a DM 400 million shortfall in 1980. We shall see who comes out on top.

SPIEGEL: Even if you do, the farmers will still retain their privilege.

Matthoefer: I will not have you call this nothing but a privilege. All you have to do is take a drive through some of the truly desolate areas in some European countries and then drive through our beautiful villages and through the well-kept countryside— then you will see that German agriculture is doing wonderful things for our people which must be honored in some way.

SPIEGEL: Applying the same logic, you could impose a kind of punitive tax on the mine workers in the Ruhr.

Matthoefer: That is absurd. The mine workers are doing great things for our people as well. That is why we have just increased the mine workers' bonus. But to return to agriculture. The bill we submitted went to the limit of what is politically feasible.

SPIEGEL: But a good finance minister must go a step further at the proper moment, mustn't he ?

Matthoefer: Let me remind you of my bill calling for doing away with negative capital accounts and of its prospects for success in the Bundestag. And, let me remind you of the press campaign launched against me for abolishing the mineral oil tax exemption for pleasure boats.

SPIEGEL: Do you dare abolish the tax exemption for airplane fuel, too ?

Matthoefer: Subsidies which promote consumption of energy do not really make any sense at this juncture. I have been asked by the cabinet to look into all of these subsidies.

SPIEGEL: When you took on the job two years ago, it was your intention to be a political finance minister. You wanted to use fiscal policy to promote social change...

Matthoefer: ...which is what has happened. Just think of what we have done for the fringe groups: the pilot program in psychiatry; the educational opportunities for foreign youth; the measures submitted to the Bundesrat for improving conditions for convicts and prison guards alike; the heavy increase in expenditures for environmental protection; the substantial increase in

funds for the development of new technologies; our structural policies which have led to more assistance for innovation in small and medium-sized industry and thereby to an increase of independent firms. Let me also point to the heavy increase in expenditures for development policy. Never before have these expenditures risen so sharply. Our medium-range financial plans, for that matter, call for continuing high rates of increase.

SPIEGEL: But, in order to finance the supplementary budget you must take millions away from environmental protection.

Matthoefer: If I need DM 2 billion and I take away 40 or 60 million from these programs, that does mean a shift in policy. If I can get the funds from other ministries, there is nothing I would rather do than leave environmental protection the way it is. At any rate, we are merely speaking of a temporary measure.

SPIEGEL: You are not only asking the various ministries to cut back; you are also holding down the party budget. You have made drastic cuts in the SPD campaign platform on social policy...

Matthoefer: ...I came out against expenditures my successor will have to worry about some day...

SPIEGEL: ...How do you mean; successor?

Matthoefer: I hope I will not still be finance minister in 1985! I came out against incurring legal obligations for expenditures on behalf of my successor and I managed to win that battle because we Social Democrats are sensible people. If our party treasurer tells us that certain things cannot be done, we take his word for it.

SPIEGEL: The SPD treasurer has even managed to put a moratorium on spending for the entire SPD campaign program. What is the voter supposed to think, if a party says: this is what we want; but we have no idea whether we can pay for it?

Matthoefer: The voter should conclude that we are responsible people and that as uncertain as the world economic situation is we will do everything in our power to safeguard price stability and full employment in our country.

SPIEGEL: So you are predicting lean years instead of reform measures for the voter.

Matthoefer: Lean years worldwide, that is true. But not every reform and every social improvement costs money. Far from it. And, for that matter, we have no intention of shelving reforms simply because they cost money.

SPIEGEL: Is there any reform which brings in money ?

Matthoefer: I would say we have reached a point where we must reduce the burden imposed upon the working population in direct and indirect taxes and that future reforms must be directed toward this end. I see no point in financing steadily growing redistribution bureaucracies to deal with problems which might better be solved within the family, the community or the neighborhood.

SPIEGEL: Still, you are submitting a tax package which includes provisions dealing with the family which are not only expensive but so complex as to make any redistribution bureaucracy jump for joy.

Matthoefer: We are aiming for a solution under which the Laender make a contribution to the government family assistance programs. This can only be done on the basis of income taxes, a revenue in which the federal government, the Laender and the communities have a share.

SPIEGEL: Particularly among the Laender there is an increasing tendency to do without at least a part of the 17 billion revenue sharing program. At a meeting of the fiscal planning council, the joint public sector planning committee, all 11 Laender favored giving up DM 7 billion family assistance package.

Matthoefer: That is news to me. The working population must be given some relief in 1981. This applies to two groups in particular: those who have advanced into a higher tax bracket due to price increases and wage increases tied to them, and families with children. I will stick to this position. The Laender suggestion to postpone tax relief measures and so to finance additional government expenditures for defense, development aid and European programs is not without cunning. The federal government collects only 42.5 percent of all income taxes and taxes on wages. What the Laender are in effect saying is that the tax payer must continue to shoulder a 100 Mark burden in order for the government to get DM 42.50 for defense. And of these 100 Marks the Laender and communities receive DM 57.50 although their responsibilities have admittedly not increased as much as those of the federal government.

SPIEGEL: In a letter addressed to the SPD parliamentary party, Mr Matthoefer, you warned of dangers facing the budget, if the interest burden continues to rise excessively. Every additional percent of interest costs you about DM 500 million. The Bundesbank is continually raising the discount rate. Not only that things are getting more and more expensive: Don't you think there is a danger of the Bundesbank's once again braking the economy into a deep recession ?

Matthoefer: Bundesbank and federal government, we are not our own boss, I am afraid. We do not live on an island or inside a fortress; we live in a free country with its borders open to peaceful business transactions. The capital outflow brought on by extremely high American interest rates of about 19 percent can only be reduced, if we too raise the interest rate and if we provide for capital imports.

SPIEGEL: There are limits to how far we can go in adjusting our interest rates upward. Or do you intend to raise them up to 19 percent, too?

Matthoefer: Certainly not. But I am saying that the German interest level, high as it is, is not due to our internal situation alone. It is due to the extremely high American interest rates.

SPIEGEL: To repeat: Have interest rates in the FRG reached their upper limit?

Matthoefer: Certainly; all the more so, if you take into consideration that interest rates represent real costs, particularly for small and medium-sized business firms which do not have large cash reserves and for housing which is largely dependent on the availability of mortgage money. Anyone involved in making economic decisions will have to take this factor into account in the future, too.

SPIEGEL: If the Bundesbank puts too much of a damper on the economy, your tax revenues are going to fall; the burden of debt of past programs will become heavier, and there will not be any money left to stimulate the economy.

Matthoefer: That will not happen. If you look at the debt from a historical or international point of view, you will find that it is lower than the general norm and that it might therefore even be increased, if safeguarding employment in the FRG should make it necessary.

SPIEGEL: It seems as though you are unable to meet your financial needs on the domestic market even now. Are the Arabs supposed to foot the bill for a new German economic boom?

Matthoefer: I am not raising credit in the oil-producing countries because I cannot find the money at home. Due to the oil price increases we have a deficit in our balance of goods and services. That is why we must, first of all, import capital. Secondly, it is desirable to put the brakes on the rise of the Dollar exchange rate resulting from the high American interest rates by having the Saudis, for example, sell Dollars and buy Marks. Thirdly, we are raising credits to give the oil-producing countries an opportunity to invest. OPEC now has an overall surplus of \$ 100 billion. It is unlikely that the member countries will continue to produce oil at the present rate, if they are not given diversified and secure investment opportunities.

SPIEGEL: Your appearances on all the TV channels over the past few weeks seem to indicate that you intend to emulate the Chancellor as an expert in crisis management-- with the Chancellor dealing with world issues and you looking through a glass darkly at the FRG's financial problems. Crisis management: is that the SPD election gimmick ?

Matthoefer: Throughout this conversation you have been raising the specter of a crisis and I have done my best to correct that impression. We do not believe in belittling possible dangers and are doing everything in our power to steer the German people safe and sound through all the worldwide economic difficulties. That in itself is not an easy job; but a responsible politician must also try constantly to improve economic and social conditions.

SPIEGEL: In other words, there is no reason for your resigning your post of which even the Chancellor spoke at the last meeting of the SPD presidium.

Matthoefer: If I have ever spoken of resigning, it was only to issue a denial. I have no use for cabinet ministers who constantly threaten to resign.

SPIEGEL: Mr Minister, we thank you for this interview.

9478

CSO: 3103

STRAUSS'S COALITION OFFER TO FDP ANALYZED

Zurich NEUE ZUERCHER ZEITUNG in German 3 Apr 80 p 1

[Article by R.W.: "Sandbox Politics in Bonn"]

[Text] Bonn, 1 April—An FDP spokesman let it be known last week that his party had no intention of taking part in "sandbox games" but wishes to carry on a "serious election campaign." The spokesman was referring to an interview of chancellor nominee Strauss in the course of which he said he considered a coalition between the CDU/CSU and the FDP "conceivable in principle." If FDP Chairman Genscher, Strauss said, "were willing to maintain FRG political viability for reasons of state, we would extend our hand to him." Several others in the CDU have since made similar statements. Secretary-General Geiseler made a point of saying that a coalition with the FDP might even be considered in case the CDU/CSU gains an absolute majority in the 5 October Bundestag election. Bundestag Deputy Mertes, for h's part, pointed to the fact that the consensus of the opposition and the FDP is growing, particularly in the vital area of security policy while the differences between the two coalition partners, FDP and SPD, are becoming more acute.

After the Debut of the Greens

Despite the cool and negative FDP reaction to the surprisingly friendly overtures from the Strauss camp these in all rather sketchy statements have caused the West German media to prick up their ears. The ever-popular guessing games about possible coalitions and power combinations are springing up and enlivening the political landscape which has become less transparent and as a result more interesting since the appearance of the Greens. Even if the FDP is inclined to shrug off the opposition's most recent coalition gambit by calling it a "sandbox exercise," there may be more to it than meets the eye, since many a real event was at least in part foreshadowed in a prior "sandbox" simulation.

Looking at Strauss's coalition offer soberly, it really makes sense. He would not be the coolly calculating proponent of Realpolitik he is, if he did not keep his options for a coalition with the liberals open in order finally to occupy the chancellor's chair. For the same reason Strauss recently called a coalition with the Greens not entirely out of the question. But it would take a good deal more fanciful imagination to conceive of such an unequal team than to envisage a new liberal-conservative coalition.

Contrast to Earlier Positions

By saying that he views the FDP as a possible coalition partner now, Strauss tends to contradict his earlier views on the same subject. In the none-too-distant past the CSU chief was in the habit of contemptuously characterizing the FDP as a "bloc party" unable and unwilling to sever its ties with the SPD. When CDU chairman Kohl, after losing the 1976 Bundestag election by a narrow margin, came out in favor of a long-range strategy of building bridges between the FDP and the CDU/CSU, Strauss was unsparing in his sarcastic criticism of this, as he saw it, hopeless undertaking.

At least until his unexpected nomination for the chancellorship, the CSU chief had constantly said that the socialist-liberal coalition in Bonn could only be removed from office with the help of a new, fourth party. This new force should also help drive the FDP below the 5 percent limit and thus out of the Bundestag altogether. It seems that Strauss has not given up this line of argument entirely to which he used to hold. For that matter, the sudden breach the Greens have made in the established three-party system lets the argument appear somewhat less hypothetical than just a year ago. And if the Chancellor's challenger simultaneously proposes a possible coalition to the FDP, he appears to be saying that he no longer believes in adhering to a rigid game plan, but wants to be prepared for any eventuality. And it also seems that Strauss considers it the lesser of two evils to be caught up once more in positions at variance with past pronouncements by adopting flexible strategies now.

947B

CSO: 3103

FDP SAID TO FEAR FOR ITS INDEPENDENCE

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 1 Apr 80 p 3

[Article by Thomas Meyer: "The FDP Fears the Shuttling--and for Its Independence"]

[Text] Bonn, 31 March. The "coalition offers" by Strauss, Geissler and other politicians of the CDU and the CSU are viewed with mixed feelings by the addressee, the FDP. The offers, or more precisely, the declaration of the candidate for the chancellorship and of his comrades in arms to the effect that they still considered the FDP an "acceptable coalition partner" was completely unexpected and, for the FDP, untimely, and this timing may have been deliberate. At any rate, the reference to common interests in the field of foreign policy is not sufficient to explain the courting of the FDP which just a few weeks ago was still called the "block party" of the SPD. This does not make it any easier for the FDP to find the right response to the new tune.

On the eve of the last three elections of this year, the Bonn leadership of the FDP must take care not to get involved again in "coalition debates." It was for good reasons that Party Chairman Genscher had stated--on the eve of the elections to the Baden-Wuerttemberg Landtag [state legislature] in which the FDP with its "open" platform had gained half a percentage point--that the "Liberals" could again be elected for their own sake, not merely as partners of one of the two big parties. The FDP intends to strengthen this trend as much as possible. In this regard, the party considers the "coalition talk" inopportune. Genscher refuses to comment on it in public, while other FDP officials such as Secretary General Verheugen sarcastically dismiss the "offers."

Nevertheless, the FDP is naturally interested in uncovering the motives underlying the new--and in Munich hitherto unheard-of--line. There are two interpretations. Firstly, observers suspect that the objective--or at any rate the secondary objective--of the Union's election campaign strategists is to try--in time for the start of the election campaign--to drive a wedge between the Bonn coalition partners. Secondly, there is the possibility that Strauss feels he is so far from attaining his objective for 5 October,

namely the absolute majority, that he wants to force himself and the Union already at this point to think about the day after the election. This speculation could become the election campaign argument of the FDP, but also of the entire Bonn coalition, if the discussion about the "offer" presented by Strauss stays alive.

Seemingly Remote Considerations

However, it would be preferable to the FDP, if this subject turned out to be a "product" of the general Easter lull and soon disappeared again. For aside from the desire to be loved--and elected--for its own sake, for political-strategic reasons the FDP cannot let its freedom of action be restricted--by being forced into premature responses--to debates on possible or impossible coalitions. For there appear to be emerging certain structures that require careful and quiet attention.

As far as coalitions in the Bundestag [Lower House] are concerned, there are no for speculations [sic]. At the beginning of June, the FDP will in Freiburg repeat its declaration in favor of the SPD with Helmut Schmidt as chancellor. If on 5 October the SPD and the FDP retain their majority, the present government is likely to be reestablished, even though the coalition negotiations can be expected to be difficult. Things would be different only if the elections resulted in a draw between the Union and the SPD/FDP.

If this does not happen and if there are no changes in Bonn, the FDP would find itself for the fourth time in a row in a federal government coalition with the SPD, which coalition would then have been in existence for 11 years. The party has to think about what it could do in some of the federal states to demonstrate its independence and its ability to enter into coalitions on the basis of objective considerations and political logic. A new edition of Genscher's loosening-up strategy of 1976 could be considered--albeit with due caution--especially since the shock of Lower Saxony, where the voters responded to the attempt to establish a coalition with the CDU by ejecting the FDP from the Landtag [state legislature], has been overcome. It is not unlikely that the FDP would in CDU-ruled states be prepared to engage under certain conditions in similar experiments, especially since the overall party constellation appears to be changing.

There are two factors that may invalidate such--as yet remote--considerations. Firstly, as long as in Bonn the SPD/FDP dominate the Bundestag, the Union is unlikely to jeopardize its majority in the Bundesrat [Upper House], and this would complicate such coalition negotiations. Secondly, the FDP must convince itself and the voters that it can enter into coalitions with the CDU and that therefore it can "survive." Consequently, the elections to the Saarland Landtag on 27 April are of special importance for the FDP. Should it fail in this last federal state, in which it is presently still sharing the power with the CDU, on account of the 5-percent clause (as was the case in Hannover), the FDP would in the foreseeable future no longer be able to engage in any "CDU experiments."

In regard to these considerations, there remains the uncertainty as to the extent to which the CDU--provided it loses the federal elections--would be interested in forming coalitions with the FDP on the provincial level. In this respect, many a CDU politician will have to ask himself what Strauss, the Union's candidate for the chancellorship, could do after an election defeat. If upon defeat the candidate withdrew to his Munich office of minister president and left matters at that, the CDU could consider at leisure the problem of a state-level coalition. However, if an embittered Strauss summoned the CSU to establish itself as the fourth--or, with the Greens [environmentalists], the fifth--federal party, this could result in consequences extending as far as the state legislatures, and more than one CDU minister president could overnight lose his majority on account of party members changing sides.

8760

CSO: 3103

RESTRICTIONS ON INTELLIGENCE AGENCY ACTIVITIES WEIGHED

Hamburg DER SPIEGEL in German 31 Mar 80 pp 23-24

[Article: "Cut Back the Wild Growth"]

[Text] They install bugs and tap telephone lines; they open letters and give Israeli colleagues access to prisons to enable them to interrogate Palestinians; overstepping the confines of legality, they have the border police make photocopies of the identification papers of innocent tourists and pump GDR travelers for information: With their failures, encroachments and scandals, the specialists of the Federal Intelligence Service (BND) again and again make headlines.

Last week, when DIE ZEIT disclosed "large-scale attacks on the privacy of federal citizens," Bonn and the BND first reacted as usual, playing down the tapping operation. Trying to block the criticism, Bonn's BND watchdog in the Chancellor's Office, State Secretary Manfred Schueler, claimed that that "strategic telephone monitoring operation" was by no means "large-scale or extensive."

In spite of all disavowals, however, the latest Bonn bugging scandal has given new impetus to the efforts to drag the secret services out of the headlines--efforts including the plan to reorganize the political jurisdictions.

Since the Chancellor's Office has been involved in every BND scandal and since supervisor Schueler in his capacity as state secretary is not responsible to the parliament, it is planned to establish after the elections in the fall a special ministry for intelligence services. Fed up with the constant friction, Schueler has lost all interest in the secret service business--and BND boss Klaus Kinkel, too, wants to dispel the bad atmosphere from his mammoth agency (6,000 employees).

The BND employees themselves feel--as one of them put it--like the "door-mats of the nation," people who do a difficult and sometimes dirty job. And whenever dubious practices come to light, they feel deserted by the responsible politicians, who dissociate themselves, posing as innocents.

To be sure, it was of their own accord that the Pullach agents settled in a shady world, when the legendary secret-monger Reinhard Gehlen turned the service into an impenetrable apparatus, which appeared to have its fingers in every pie and even established dossiers on SPD deputies.

In contrast to Gehlen, who shunned photographers, and to Gehlen's successor Gerhard Wessel, who loved heel-clicking subservience, Kinkel introduced more civil manners. Since Kinkel accepted the job at the end of 1978, Pullach has been thinking along political rather than military lines.

Unlike his predecessors, the new man does not want to be addressed as general or president, but by his name. He does not put on airs; driving around the extensive grounds in his VW Golf, he frequently goes without a chauffeur--in every respect, he acts "like a normal person" (Schueler).

Unlike Gehlen ("Dr Schneider"), Kinkel did not assume an alias. He does not travel incognito, but uses a government plane. A red sticker on his telephone--"beware of monitors"--reminds him of his conspiratorial trade.

However, his subordinates go by assumed names; they are not allowed to reveal the identity of their employer and they must keep their neighbors in the dark about their pursuits. They commute to the office on agency-owned buses.

The Kinkel apparatus is larger than any Bonn ministry; the Munich head office maintains 75 branches scattered over the entire Federal German territory. The extensive grounds in Pullach are guarded electronically and there are 25 German shepherds for additional security.

The responsibilities of this superagency are not defined by any law. A single regulation issued in 1968 by the head of the Chancellor's Office, Karl Carstens, vaguely outlines the operations: Above all the "procurement" of information for the Federal Government--information on the political, military and economic situation and on the scientific-technological developments in foreign countries. Not a single word about the methods or the limits to procurement.

The investigative work ballooned accordingly. At times, the agency did not really differentiate between the domestic and the foreign sector.

The reconnaissance work is conducted in grand style--with minimum involvement of personnel, but with large-scale application of technical equipment. There is no lack of funds. DM 153 million have been budgeted for 1980. There is an internal research development, which supplies the BND with the latest technical gadgets for its global eavesdropping. Along the GDR border, large antennae have been established, which help monitor the air-waves over the Eastern Bloc.

Equipped with highly sophisticated equipment, the BND is able perfectly to forge documents and to eavesdrop on foreign embassies; there are indications that the switchboards of many a foreign embassy are connected with Pullach by special wires.

In the interest of "strategic surveillance," which is to insure protection from imminent attacks, monitoring centers have been established at the Federal German Postal Service's central switchboards, which record calls from Eastern countries or to Eastern Bloc states. Every year, BND employees open and evaluate electronically over 1 million of the letters exchanged in the course of East-West communication.

All of this material--enriched with data supplied by its agents, abstracts from 40 international press services and information from allied espionage organizations--is incorporated in the BND's daily situation report. The analysis is submitted to selected top politicians--the chancellor, the minister of foreign affairs and the minister of defense. Kinkel himself travels to the capital, frequently several times a week--Tuesdays, to attend the routine conference on security at the Chancellor's Office, and on other days, to provide Foreign Minister Hans Dietrich Genscher, the heads of the parliamentary fractions, or the Parliamentary Control Commission with exclusive information.

At times, the recipients consider the material rather meager. For example, after the Soviet invasion of Afghanistan, Defense Minister Hans Apel criticized the Pullach agents: The agency was giving him "too few facts and too many analyses."

Although the BND had correctly registered the deployment of Soviet troops, it had drawn the wrong conclusions: Since a U.S. intervention for the liberation of the Tehran hostages could not be ruled out, Kinkel's experts thought that the Soviets were preparing for an invasion of Iran.

Apel regards such secret service interpretations as superfluous; moreover, he feels a great deal of the information is formulated too speculatively, too diplomatically: "You are no longer in Mr Genscher's anteroom," he lectured the BND boss.

Far more serious than the defense minister's criticism of the Pullach conclusions is the interior minister's censure of the Pullach practice of using the Federal Border Police (BGS), which is subordinated to the BND, for investigative work and official assistance. Baum intends to "cut away the wild growth," as his departmental supervisor -- personal assistant, Klaus Thomsen, put it.

The BND has already been subjected to a few "prompt measures" decreed by the minister of the interior:

--From now on, applications for official assistance by the border police are subject to approval by the ministry.

--In general, individual travelers from the GDR may no longer be registered, and travelers to the GDR may no longer be identified for the BND.

--Although the BGS may still make photocopies of passports, any person-related evaluation of the data is prohibited.

However, this last ruling in particular should have been more stringent. According to some legal experts, such photographic assistance is illegal, since it violates constitutional rights. These experts argued that there was no legal authorization for such an approach.

The border police photocopy approximately 2,000 documents a year. The Pullach experts convinced Baum that the BND needs the photographs as patterns to be used in the forging of personal documents.

On the other hand, the minister of the interior refused to condone another notorious practice. For years, Baum's border officials had been supplying the BND with information on travelers such as truck drivers, who frequently crossed the borders, traveling eastward. BND recruiters from Pullach then tried to pump the border crossers for information or even to employ them as informers.

On account of the risks involved for private individuals, Baum has now strictly forbidden the border police to rope in agents. BND supervisor Schueler submitted to the order of his liberal minister, since his own jurists likewise disapproved of the practice.

However, Schueler is now complaining about the fact that the volume of secret service information has decreased considerably, and he is concerned about a potential security deficit. Even the chancellor intervened; diplomatically, he recommended a "sense of proportion" and intimated that he was inclined to regard the protection of private data as a fad.

Baum's plan: Kinkel is to make a formal statement specifying the type, purpose and extent of the assistance urgently needed. In a special border police law, Baum then wants to establish "basic guidelines" for permissible official assistance.

The minister of the interior assured Kinkel that on principle he had no objections, if the border police discontinued their operations in support of the BND. The German intelligence boss wants to avoid anything that would make his agency resemble the all too frequently unscrupulous American CIA.

Consequently, Kinkel accepts legal limits and he is prepared to forego some information rather than to try to protect the constitutional state through illegal practices.

"This discussion about the constitutional state costs a lot of substance," Kinkel told Baum, "but if there is no such discussion, even more substance will be lost." The BND will have to prove that it is prepared to translate the fair words into action.

DECLINE OF MAOIST PARTIES REPORTED

West Berlin DER TAGESSPIEGEL in German 22 Mar 80 p 3

[Article by Friedrich-Wilhelm Schlomann: "A Demigod Was Toppled"]

[Text] Years ago, the Maoists with their red Mao booklets marched in the streets, covered the walls of the universities with graffiti and vented their hatred in clashes with the police. In the meantime, on account of the death of Mao Zedong, the succession of Hua Guofeng, Beijing's opening toward the hitherto despised "capitalists", and the wars between the Communist powers in Indochina, increased skepticism and rejection have replaced in the various Maoist groups the glorification of their earthly paradise.

The KPD [Communist Party of Germany]

The most telling example is the "Communist Party of Germany." It had rejoiced at Deng Xiaoping's demotion and it rejoiced at his subsequent reinstatement. Revealing naive piety, the party organ stated: "As regards this problem, we feel there is no reason to take a position different from that of the Chinese people and the Communist Party of China." This policy was duly rewarded: In November 1976, KPD boss Semler was invited to China, and on 1 October 1977, KPD Politburo member Heuler had the opportunity to shake hands with Hua Guofeng.

However, due to the party organ's continuous glorification of Beijing, its circulation decreased from the former high of 16,000 to 9,000 last fall. The paper's own diagnosis of its loss of prestige in the party and in its immediate environment was equivalent to a declaration of bankruptcy. The paper soon conceded that in regard to the evaluation of Hua Guofeng's domain there were "differences of opinion" among the editors as well. In December, the KPD leaders had to admit that their policy had "failed" and that they had not been able to gain any appreciable influence in the working class. Since the beginning of this year, the RED FLAG had been coming out only twice a week; the paper then published an article signed by its functionaries: "We feel that the KPD qua KPD has failed. We therefore propose that the Party Congress decree the dissolution of the KPD." On the first weekend of this month, a two-thirds majority of the secret 3rd KPD

Congress resolved to dissolve the party.

The KPD/ML [Communist Party of Germany/Marxists-Leninists]

On Mao's death, the "Communist Party of Germany/Marxists-Leninists" had sent a telegram to Beijing stating that Mao was worthy of "eternal glory." Less than two years later, however, the party stated that Mao could not be counted among the Communist classics. The picture of the leader of the Chinese Communist Party disappeared from the title page of the KPD/ML organ, where for 12 years it had been proudly displayed along with the heads of Marx, Engels, Lenin and Stalin. The contacts with Beijing, the former party Mecca, were quickly discontinued and the KPD/ML organ arrogantly stated that from now on the Communist Party of China would have to be opposed as a "counterrevolutionary" force. By now, the KPD/ML had joined the comrades in Tirana, and the songs of praise for China have now been replaced by the glorification of the new paradise of Albania. The Chinese invasion of Vietnam was compared to Hitler's attack on Poland, and an issue of the theoretical KPD/ML organ was headlined "Thirty Years of People's Republic of China--Thirty Years of Lies and Deception." Indicative of sharper internal differences of opinion within the KPD/ML is the slogan "increase vigilance, strengthen unity" which was circulated in February. It is doubtful whether the new slogan--"to learn from Stalin means to learn to be victorious"--will improve the situation.

The KBW [Communist League of West Germany]

After the arrest of the "Gang of Four", the "Communist League of West Germany" assumed an attitude of wait and see, possibly because it wanted to keep open an ideological escape route. But now the KBW is firmly committed to Hua Guofeng. In regard to Beijing's attack on Vietnam, the KBW organ stated that it was precisely the European working class that could "derive the greatest benefit from this policy." However, last summer the organization had to concede that in the elections in Hamburg and Lower Saxony it had "lost practically the entire vote of high school and university students and young teachers." At the same time, the KBW suffered a serious internal setback as well: Approximately one-third of the members--including leading functionaries--left the party. Drawing on its "mass organizations," however, the KBW has been able to offset these losses, at least in terms of numbers. At present, the KBW is the best-integrated and strongest of the organizations loyal to Beijing; the circulation of the party organ continues to shrink, however.

The KABD [Communist Workers' League of Germany]

The "Communist Workers' League of Germany" does not give credence to Beijing's charges against the "Gang of Four", for if they were true, claims the League, the "Gang of Four" would have to be made up of "supermen." The League considers the suggestion that he had not been able to handle the four individuals "an outrageous defamation of Mao Zedong. Whoever argues

like this is not trustworthy. Advancing such arguments, the leadership (of the Communist Party of China) had lost face already at that time. No communist can stoop that low." Shortly thereafter, the KABD organ published a declaration by the Central Administration: "It is the duty of all Marxists-Leninists sharply to criticize and oppose this policy of the leadership of the Chinese Communist Party." Deserving KABD comrades, who in blind devotion affirmed their loyalty to the present-day Beijing, were reviled and expelled. In Davaria, almost all of the groups disbanded. Nevertheless, the KABD organ stated stubbornly: "The workers and peasants of China face a problem that is encountered in the capitalist countries as well--to smash the bourgeois system and to force the establishment of socialism ..."

The KB [Communist League]

The "Communist League" called the appointment of Hua Guofeng a "rightist Putsch" and a serious setback for the Chinese revolution; all along, the League had taken the view that today the workers of all countries no longer had a "socialist fatherland" by which they could take their bearings. To Beijing's invasion of Vietnam, the KB organ responded with the headline: "China risks the world war." In the summer of 1978, a panel discussion published in the paper revealed that the party jargon concealed a great amount of dissatisfaction on the part of many members. And by now, the paper itself is on the decline: Its circulation, which 3 years ago totaled 24,500, has now decreased to 9,100. Moreover, last summer there emerged within the "Communist League" a group which made its rebellion known through a general delivery card in Hamburg: "After 12 months of crisis and discussion about the crisis in the KB, the situation in the organization is characterized by resignation, increasing general fatigue, inconsistency and disorder." According to the group, the main reason for the desertion of the members was the fact that "we are unable to point out any perspectives to them." In January, shortly after the exclusion of another group which in its own paper now reviles the old comrades, a KB congress was held.

The Workers' League

The "Workers' League for the Reconstruction of the KPD" tried to find a middle way in the ideological jungle of Beijing and Hanoi, and its organ made the seemingly diplomatic statement: "Whoever now asks us to judge the Chinese people by evaluating the present situation should be able to tell us what good an arbitrary assessment would do our struggle." This did not prevent the group from condemning soon thereafter the "potato communism of Mr Deng Xiaoping." But presently the organization is through with Tirana as well, since the Albanians deny the significance of Mao Zedong's doctrines. So the League again raves about the distant Vietnam, hoping "to learn what is useful for the accomplishment of our revolutionary task in West Germany." It is symptomatic in this respect that after Beijing's attack on Vietnam the "Workers' League" sent a telegram to Hua Guofeng, requesting the immediate withdrawal of his troops. However, everything seems to be overshadowed by the adoration of Mao and the League has begun to show some reserve vis-a-vis

Hanoi as well, since Hanoi, too, "defames" the theses of the old party idol. The party organ, which of late has been coming out only once a month, reviles the other West German "leftist-sectarian, petit-bourgeois" Maoist groups which, it claims, pose as the mouthpiece of the respective side favored-- Beijing, Tirana, or Hanoi. With naive didacticism, the paper points out that this is **not** only ludicrous: "Rather, this will make many honest people regard as ridiculous the communists and communism."

8760

CSO: 3103

COMMENTARY ON NORTH RHINE-WESTPHALIA ELECTION CAMPAIGN

Hamburg DER SPIEGEL in German 14 Apr 80 pp 21-25

[Article: "Danger Signals"]

[Text] A preliminary decision in Bonn's favor was indicated when Heinrich Koeppler had to drop out of the North Rhine-Westphalia race and the CDU had to put up a new top candidate. But Kurt Biedenkopf is blocking his own way.

Five weeks prior to this year's most important Landtag election the outcome was almost a foregone conclusion. All the polls conducted by the political parties gave the socialist-liberal coalition in North Rhine-Westphalia a comfortable lead for the 11 May election and the CDU was relegated, as it had been four times previously, to the role of opposition.

But, a week ago last Thursday something happened which the SPD Minister for Social Affairs Friedhelm Partmann called a "danger signal for us" by which he meant "sympathy for a sick man."

On 3 April CDU opposition leader Heinrich Koeppler had suffered a heart attack at the health resort hotel Gnacke in the Sauerland. From that moment on it was uncertain whether he would ever return to political life.

For a while the North Rhine-Westphalia race —this preliminary heat for the Bundestag election in October, this semi-final contest for Schmidt and Strauss, this moment of truth for the liberals and the Greens— seemed wide open once again. Would history repeat itself? Would the CDU cash in on a sympathy bonus, as it had twice before in past elections?

When Minister President Arnold died about a week before the Landtag election in 1958, the CDU registered a 9.2 percent gain of the vote. And in 1975, the Berlin CDU may well have profited from the kidnapping of its party chief Peter Lorenz, which occurred before the election there. They gained 5.7 percent and the SPD lost a hefty 7.7 percent.

But chances are there will be not be as much in it for the CDU this time. Heinrich Koeppler may be a good man, but he has no charisma; in short, he is no Karl Arnold. And a heart attack, which may hit just about anyone, does not produce a shock effect like an act of terrorism which alarms the whole country for weeks.

And thus, Farthmann's prophecies of doom may just be tactical moves as, for example, when he says: "With all due respect for the sick man, the CDU could not have had a better break than this."

Officially, the CDU is making out as though nothing has happened. "Heinrich Koeppler is our Number One," was Kurt Hans Biedenkopf's comment, who is the campaign manager and deputy chairman of the North Rhine-Westphalian CDU. And as for the meeting of the CDU Land presidium two days later, held in the Blue Room of the Konrad-Adenauer-Haus in Cologne, it took so little time as if they had merely been discussing the postponement of a card game. The heart attack, Koeppler's spokesman Friedhelm Gernedts said, was "nowhere near as serious as we thought." The patient "never lost consciousness, was back on a normal diet by the fourth day" and "was asking for his newspapers just a few days later."

No exact medical reports were given out, nor were photographs of the patient permitted, surrounded as he was by cables, tubes and all manner of apparatus. Iriksome questioners were handed the CDU line (by Gernedts) to the effect that "the heart attack was under control today" or were told (by Biedenkopf's spokesman Axel Nawrocki) that at least five leading members of the SPD/FDP coalition had been "seriously ill and had long since fully recovered."

The CDU is not counting on anyone's sympathy, it seems. They need Heinrich Koeppler. There is no other alternative.

His deputy Biedenkopf, much better known than he and long considered one of the top political figures in the FRG, does not seem to be able to take advantage of this opportunity. If the CDU lost the election and Koeppler did not re-assume the chairmanship, Biedenkopf would have to answer the call of the party and take on the post of opposition leader— which he considers a waste of his talents in the long run. But if the CDU wins the election contrary to expectations, he runs the risk of Koeppler, hale and hearty once more, taking over the top political office in the Land.

He would have had to go for broke and tell the ailing Koeppler that he would jump into the breach and take over as top candidate from him. But the party, which knows Biedenkopf all too well, would not let him do it. Because the ambitious "Professor Push," the man, as DIE WELT has said, who carries "a dagger beneath his cloak" has the skill of both a kingmaker and a regicide.

The meteoric rise of the professor of commercial, economic and labor law began at age 37 when he was named president of the Ruhr University in Bochum in 1967. In 1968, he was appointed chairman of the Co-Determination Commission under Chancellor Kiesinger; in 1971, he became a member of the board of directors of the detergent manufacturer Henkel; in 1973, he was named secretary-general of the CDU; in 1977, CDU Land chairman for Westphalia-Lippe; in 1978, CDU spokesman on economic policy in the Bundestag and in 1979, chairman of the Bundestag's economic committee.

As he was moving up, DIE ZEIT called him an "agile jack-of-all-trades" and STUTTGARTER ZEITUNG said that he was a man of "uncommon intelligence and expertise" and Franz Josef Strauss was moved to remark that Biedenkopf was "of chancellor caliber."

He is without a doubt a personality that attracts the SPD voters' attention, too. According to a Dusseldorf government-sponsored poll, Kurt Biedenkopf is the best-known Land politician in North Rhine-Westphalia, even beating out SPD chieftain Johannes Rau. And according to an unpublished survey conducted by the Munich sociological institute Sinus, Biedenkopf "is held to be the only CDU politician who could conceivably prevent an SPD election victory even among SPD supporters."

CDU voters, Sinus concludes, look upon Biedenkopf "as the real CDU leader in North Rhine-Westphalia." Koeppler, they feel, "is totally eclipsed by him and to some extent merely functions as his puppet." Biedenkopf, for his part, comes across as a strategist "with an image something like Strauss."

There is one thing Biedenkopf and Strauss certainly do have in common: they have both been adept at tripping themselves up at decisive points in their career.

When Strauss delayed the nomination of a joint CDU/CSU candidate for chancellor in the spring of 1975, it was Biedenkopf who came forward and nominated CDU chairman Kohl on his own— a nasty trick which Strauss resented. And when the 1976 Bundestag election was lost it was Biedenkopf once again who tried to oust Kohl from his post as opposition leader, albeit unsuccessfully.

Four years ago Biedenkopf was full of praise for the Westphalian CDU chairman Heinrich Windelen, a member of parliament and expelled spokesman, calling him an "outstanding Land chairman." Just one year later, he elbowed him out of his position in order to make room for himself.

In 1979, Biedenkopf joined his party's presidium in voting for the chancellor candidate Ernst Albrecht, the Minister President of Lower Saxony. But shortly thereafter he switched over to support Franz Josef Strauss.

Political friends of days goneby dread his lack of loyalty and his enemies consider him capable of just about anything. "Watch him capitalize on Heinrich Koeppler's misfortune," the North Rhine-Westphalian Minister of Agriculture Hans Otto Baeumer says.

Even the RHEINISCHER MERKUR, a newspaper beholden to the CDU at least in spirit, thinks of Biedenkopf as a man "lacking a sure instinct for tactics." And Wolfgang Vogt, a CDU member of the Bundestag and its social committee, calls Biedenkopf a politician who "does not know the meaning of the word discipline, to say nothing of solidarity."

Biedenkopf and his fellow CDU politician Heiner Geissler struck upon the "New Social Question." At the time they did, BAYERNKURIER viewed the two as an SPD "fifth column." But this show of concern proved to be unfounded. Just a few years later, Biedenkopf chose a CDU meeting in Berlin to criticize a statement of principles submitted by Geissler and based upon this very social program.

Soon thereafter, the professor came up with another idea which upset the party. He proposed the gradual phaseout of public housing programs and a reduction of building loan subsidies. The deputy chairman of the CDU social committees called the proposals "half-baked, irresponsible and anti-social." Even a staunch free enterprise advocate like CSU Interior Minister Gerold Tandler thought that Biedenkopf's ideas were "highly subjective, unsubstantiated and untenable."

Prior to the last Bundestag campaign, Biedenkopf mounted an offensive in the Ruhr no less against the interlocking of bureaucracies as between the SPD and the labor unions. "Biedenkopf's negative qualities have had a positive effect on us. The voters became sensitized," said SPD Bundestag member Hans-Eberhard Urbaniak, a labor union secretary by profession. But leftwing Christian Democrats were none too happy with Biedenkopf, either. In the eyes of the CDU contingent in the DGB, Biedenkopf was "unsuited" as party chairman for Westphalia.

Only last month Biedenkopf came out in favor of the Young Union's "excellent idea" to conduct "hobble demonstrations" with their feet bandaged to protest the school and education policies of the Duesseldorf coalition. Economics Minister Lambdorff thought it a "tasteless gaffe."

Kurt Biedenkopf has never thought of himself as a Land politician. If need be, he would accept the economics ministry under "my friend Reini." But a cabinet post under his pal Strauss would be much more to his liking.

In Bonn, however, the clamor about the unpredictable Biedenkopf has become somewhat muted. There are "moves afoot inside the party to tie Biedenkopf to North Rhine-Westphalia," CDU treasurer Ulf Pink says. Once and for all, Biedenkopf must renounce his "negative approach of I will only stay in Duesseldorf, if we win the election."

The North Rhine-Westphalians could not get enough of Biedenkopf at first. Now, the only question is whether they still want any part of him. In fact, he cannot even count upon his own Westphalian Land organization as a reliable power base any longer.

When he criticized the "unpolitical organization" of the CDU prior to the local elections in North Rhine-Westphalia last year, he was handed a sharp rebuke. He was re-elected as Land party chairman by a mere 61.6 percent of the vote— almost 23 percent less than at his first election in 1977.

"Here in the Rhineland he would have been out altogether, if he had talked like that," social committee member Vogt said in commenting on the party chairman's debacle.

There still are reservations in both parts of the Land against the able, but quite unpredictable politician. "Only in an extreme emergency would we think of him as our nominee for the office of minister president," a leading CDU politician in Dusseldorf said.

"I refuse to think about it," a member of the North Rhine-Westphalian CDU presidium, Albert Puersten, said. Sick or not— as far as he and others in the party are concerned Heinrich Koeppler is simply irreplaceable. Koeppler, the former secretary general of the central committee of the German Catholics, has long been a rallying point for the party who has succeeded over the space of ten years to bring the rival Land organizations —the agile Rhinelanders and the stolid Westphalians— to terms time and again.

But aside from this "nice man with whom one can talk about almost anything except politics," as FDP Minister Hirsch has characterized him, no one in the CDU was either willing or able to acquire any stature at all. At best, Biedenkopf's opponents can draw on ailing Rainer Barsel, who has quit politics, or on Labor Director Konrad Grundmann. The former CDU Labor Minister Grundmann had his heart attack five years ago and has been back at work for some time; but he may not be up to filling the top job in the Land any more.

This would leave men like Theodor Schwefer, a dry financial expert from Arnsberg in Westphalia or Ottmar Pohl from Cologne, the bustling deputy of faction chief Koeppler— but these are people hardly known to anyone.

SPD IN NORTH RHINE-WESTPHALIA STRESSES COAL

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 17 Apr 80 p 6

[Article by L.B.: "Absolute Priority for Coal Now"]

[Text] Duesseldorf, 16 April--The SPD in North Rhine-Westphalia has just spoken out for the "absolute priority of coal before nuclear energy." In light of earlier statements by the SPD and the Rau government in Duesseldorf which already advocated giving coal top priority, this connotes a certain change of course that could possibly be tied in with the concerns of the SPD in the upcoming Landtag elections, namely that the "Greens" could be voted into Parliament. For the SPD, Social Minister Farthmann and Federal Council Minister Zoepel, both representatives of SPD Land Chairman Rau, spelled out a concept which has three central points: the construction of new coal power plants, the renovation of old power plants, the expansion of supplying heat through pipes and the coupling of power to heat. The production and use of nuclear energy is not mentioned at all in the strategy paper.

According to the SPD, there are presently five power plant blocks on a coal basis now under construction or which were put into operation since 1979. Their capacity is 4,000 megawatts. The decision to build eight additional coal blocks with a total of 5,000 megawatts has already been submitted by the power supply companies. With this, the decision to construct coal power plants with a capacity of 9,000 megawatts in all has been made. Another 12 coal power plants are presently awaiting a permit for starting construction so that they can be built soon enough at the presently rising demand.

According to the SPD, the power supply companies already have concrete plans for renovating smaller and older coal power plants with a capacity of 2,700 megawatts. For power plants with an additional 6,000 megawatts of capacity, environmental protection measures have to be improved by filtering units; these measures would be financially supported by the Land government. The SPD is striving to supply 2 million homes with piped-in heat--presently it is 700,000 homes--in the Rhine-Ruhr area between Bonn and Dortmund. Another 500,000 could also be heated in the future in other parts of the Land with piped-in heat. By using piped-in heat, which is a side product

of the turbines used in power plants to produce electricity and can be transported through pipes, the heating systems in homes is supposed to be "decoupled" from heating oil as much as possible. In such densely populated areas as the Ruhr area, every second home could be heated in this way in the opinion of the SPD. In this way, primary energy on a coal basis would also be conserved due to the use of the doubling effect and environmental pollution would be reduced. The SPD freely admits that the adaptation of the heating systems to piped-in heat could last about 20 years. There are no concrete statements on the necessary investments that would have to be supplied as an advance commitment.

Gasification would have priority over fluidification in the enrichment of the coal because gasification is presently more feasible on the market. The SPD paper does not say anything about the development of electricity prices in the next 2 decades should electricity be produced to a large degree only by the combustion of domestic, very expensive coal. The large power supply companies in the Ruhr area, namely the Rhenish-Westphalian Electricity Works (RWE) and the United Electricity Works Westphalia (VEW) previously had the problem that electricity price increases they held for necessary were only approved to a certain extent by the Rau government in Duesseldorf. The agency giving this type of approval is the Economics Ministry, which has been run for the last few months by Mrs Funcke, an FDP politician. The SPD paper is also silent on the question of maintaining potentially more favorable electricity rates by importing essentially less expensive coal, thereby establishing a power production mix.

If the industry and private energy consumers do not voluntarily accept the future offer for piped-in heat as a substitute for heating oil or natural gas (this would mean considerable technical conversions), then they should be forced to do so, if necessary, by the communities or by the legislature. The SPD paper calls on the communities to make use of all possibilities at hand in the laws on construction and in the laws governing the issuance of permits to promote piped-in heat systems for construction of homes and industrial settlements. The SPD believes that "it is necessary to review whether a mandatory provision for connecting and using piped-in heat is required." Every larger city at least contained within the projected area of piped-in heat supplies should submit local energy supply plans in the future according to the SPD paper.

9527

CSO: 3103

TRADE PACT TO PROVIDE INCREASED CREDITS TO BULGARIA

Helsinki HUFVUDSTADSBLADET in Swedish 19 Mar 80 p 9

[Article by Tapio Loimalahti of the Finnish News Bureau: "Payments Agreement With Bulgaria Expanded"]

[Text] Sofia--Finland and Bulgaria intend to revise their payments agreement in order to create better preconditions for payments for the expected increase in trade between the countries. The purpose is to expand the credit limits of the existing agreement. At the same time exchange transactions are to be allowed in order to avoid trade limitations due to problems in the balance of payments.

These issues, among others, were considered in a preliminary way on Tuesday in Sofia, when Foreign Minister Paavo Vayrynen met with deputy head of the government Andrei Lukanov. Lukanov is also responsible for economic questions in Bulgaria.

During the discussions it also became evident that Finnish companies have good opportunities for participating in the expansion of tourism and of the forest industry in Bulgaria. The possibility of delivering a Finnish ice skating rink to Bulgaria was also discussed.

In his capacity of vice chairman of the Center Party Vayrynen also visited the headquarters of the Bulgarian Farmers' Party. The second day of Vayrynen's visit was concluded with a dinner hosted by the Farmers' Party.

Altered Plans

The plans for the visit have now been changed, insofar as Vayrynen will continue his discussions with Foreign Minister Petur Mladenov on Thursday at the resort town of Varna on the Black Sea coast.

According to the original plans Vayrynen was to vacation in Varna on Wednesday, but on Tuesday Mladenov announced that he, too, will come to Varna in order to continue Monday's interesting discussions. In Varna opinions are

to be exchanged on, among other things, the situation in Europe, preparations for the upcoming KSSE [expansion unknown] meeting in Madrid, disarmament and the international situation.

Vacation Village Project

In the talks between Vayrynen and Lukanov a seaside hotel project in Sadansk was discussed, among other things. It now looks as if the Finns have an opportunity of participating in the project.

As early as this week more detailed negotiations will be initiated concerning the project which amounts to about 150 million marks. An extensive vacation village project was also debated on Tuesday.

Lukanov further announced that Finnish companies have the opportunity of participating in the restoration of old vacation villages. After the meeting Vayrynen said that if the Finnish-Bulgarian cooperation in construction gets a good start and the Finnish bids are competitive in price, there are no other obstacles in sight.

Better Air Service

According to Vayrynen Bulgaria is also interested in improving air service between the two countries. Last year about 15,000 Finns visited the sunny coasts of Bulgaria.

Expansion of the forest industry in Sinistra was also discussed on Tuesday. According to a solution which was debated, Finland, alongside the Soviet Union, would deliver machines and facilities to the combine.

The Bulgarians also said that they will shortly revise their regulations which apply to joint projects with companies from other countries. The intent is now to provide Finnish company leaders with information, for example through an information seminar, concerning the opportunities offered by the new regulations.

11949
CSO: 3109

FORESTRY INSTITUTE RESEARCH STUDY OF PLANT-SOURCE ENERGY

Helsinki HUFVUDST. LADET in Swedish 19 Mar 80 p 15

[Article by unnamed. "Forest Researchers Now Search for More Basket Willow"]

[Text] At the Forest Research Institute a so-called PERA project (PERA = Puu Energian Raaka-aineena, that is to say wood as raw material for energy) is underway on behalf of the Ministry of Agriculture and Forestry. The project is divided into three partial projects, one of which deals with researching the possibilities of utilizing fast-growing broadleaf trees as a domestic energy source. The willow, of the Salix family, has turned out to be the most interesting one.

The rapid growth of the willow is in a class by itself, in comparison with most other broadleaf trees and bushes. Willow could best be grown on parcel fields and in dug-out peat bogs.

The basket willow (*Salix viminalis*) is among the species of willow being studied. However, more material is needed in the form of cuttings.

There is a small number of basket willows in our country. They were originally -- which is even indicated by the name -- planted as material for basket weaving, later also as ornamental trees. The basket willow has thus grown wild, although only in small numbers. It is found in old cultural areas, among others.

The basket willow differs from the ordinary willow species by the fact that the trunk is green and by the narrow, extremely long leaves. In the winter a few leaves usually remain, which may aid in identification of it. In addition, basket willow usually grows fast. It may be mentioned that in the willow search competition arranged by the Forest Research Institute for 4H club members, the tallest seedling was precisely the basket willow.

If anyone has knowledge of the willow in question, contact the service unit (energy forest research) of the Forest Research Institute in Kannus, address 69100 Kannus or by telephone 968/70861 (Heino or Pohjonen). The Forest Research Institute buys basket willow in the form of, for example cuttings. Information about places in which basket willow grows is also welcome.



BARRE DEFENDS ECONOMIC POLICIES DESPITE INSEE PROJECTIONS

Paris LE MONDE in French 29 Feb 80 pp 1, 31

[Article by Alain Vernholes: "INSEE's Projections for the French Economy"]

[Text] Coming after the announcement of a sizable increase in the foreign trade deficit in January 1980 and a slight rise in the unemployment rate, the sharp price hikes (up 1.9 percent) witnessed in that same month clearly illustrate the difficulties of the French economy in early 1980.

Are these temporary difficulties? The experts of INSEE (National Institute of Statistics and Economic Studies) do not think so. In their latest quarterly survey they predict that the inflation rate will continue to be high in the next few months and that a distinct slowdown of economic activity could occur beginning in the second quarter of 1980, with the number of people seeking jobs increasing by 100,000 in the next 6 months and the foreign trade deficit reaching 15 billion French francs.

These gloomy prognostications do not seem to trouble Raymond Barre too much. He clearly indicated on 27 February 1980 in the National Assembly, at the time of the debate on the motions of censure filed by the PS (Socialist Party) and the PCF, that he did not plan to change policies.

The session held on Wednesday, 27 February 1980, in the National Assembly on the occasion of the motions of censure filed by the PS and the PCF was strange. With the different--but real--talents which they are known to have, Georges Marchais, Francois Mitterrand, and Raymond Barre proved to hold their ground there, entertaining and at times amusing. Those deputies who attended the meeting were treated to the denunciation of the profits realized by the large firms (Georges Marchais), a list of the government's setbacks (Francois Mitterrand), and attractive official certainties (Raymond Barre). Everything was there except what was essential.

When the secretary general of the PCF enumerated the profits of the major French firms, did he realize that he was doing Raymond Barre a favor or, more exactly, that he was attributing to the latter an imprimatur of consistency and efficiency? The entire policy of the prime minister has

been moving in that direction since the summer of 1976--to enable enterprises to realize profits. This goal is in the process of being reached. The slowdown in wage increases combined with the tremendous thrust of production prices (over 1 percent a month) has enabled the heads of enterprises to accumulate comfortable profits. The indifference--or nearly--with which employers received the announcement of the steps to tighten credit is additional proof of this. Companies which are now comfortably well off need the banks much less. The rise in [interest] rates will affect individuals, those who wish to purchase an apartment, an automobile, or furniture.

For it is indeed the purchasing power of the French, or more exactly their consumption, which is targeted: The lower its consumption is and the more the country invests, the more it will export to pay for the energy that it needs. From this viewpoint the battle of figures on the evolution of the purchasing power of the French has only symbolic interest in its present form. Raymond Barre would like to prove that the standard of living has not dropped in France--first, because he promised it and then because he could continue to guarantee that France alone in the West was able to achieve this "tour de force." Statistics may be represented as saying many things. In this case, it is true that indirect income (contributions and assistance of all kinds), which now represents a very sizable portion in France (about 40 percent) of the income of individuals, has risen a lot--some 7 percent of its real value in 1979. This has made it possible to offset the real drop in personal wages. But that is not the crux of the matter. What is important is that, for some years now, purchasing power has been rising more and more slowly--at 5 percent a year before the recession, then at 4 percent, 3 percent, and at 2 percent since. What matters is that it will now drop. This is the reasoning.

From this viewpoint the sharp price hikes are not a serious concern for Raymond Barre. For him they have the advantage of lowering purchasing power. Felix Gaillard had acted likewise in 1957. The present flareup--besides the fact that it is also occurring abroad--would not really hinder the prime minister unless wages were to start rising sharply once more under the pressure of the trade unions or if the French franc came under attack on the foreign exchange market. As long as these two eventualities do not occur Raymond Barre can remain undisturbed.

This is in fact the image that he projected of himself at the National Assembly on Wednesday. What difference do even the declarations of Rene Monory [minister of economy] make to Barre when the former announced a price hike of over 10 percent although he had not excluded the opposite possibility at the recent forum of "Expansion" [sic].

What is still to be determined is whether the goal of the Barre Plan--whose coherence is by now obvious enough to be hailed by the Anglo-American press--can be met. To ask the question is to wonder about the soundness and dynamism of our industry. Do the very high profits made by French

firms for the past 2 years really serve to consolidate our production apparatus in the sensitive or essential sectors: machine-tools, capital goods, agricultural-food sector, and so on? The answer is not obvious even though the performances of French export enterprises were very remarkable in 1979. It would be necessary to determine whether part of the profits realized thanks to the sharp price increases which have occurred these past few months has not been diverted from industry and gotten lost--without any benefit for the country--in business, trade--was it necessary to take the ceiling off profits?--or speculation. This question has not been raised.

2662

CSO: 3100

IN-FLIGHT REFUELING TECHNIQUES, EQUIPMENT REVIEWED

Paris AVIATION MAGAZINE INTERNATIONAL in French 1-14 Mar 80 pp 38-41

[Article by Pierre Condom: "In-flight Refueling and Offensive Operations Beyond the Country's Borders"]

[Text] Long cited as a weakness in the French strategic system, in-flight refueling has today become one of the key elements in strengthening national tactical air operational capability. From now on, thanks to its C 135 F aircraft, the Air Force can plan to deploy Mirage F-1's and Jaguars at more than 5,000 kilometers from the Metropole within a matter of a few hours.

On 29 January four Mirage F-1C's from the 5th Fighter Squadron took off from Solenzara Air Base in Corsica. Six hours later they were on the ground at Djibouti. This non-stop flight of over 5,000 kilometers is the best demonstration that could be given of the possibilities offered by in-flight refueling of French fighter aircraft. Between Corsica and Somalia the F-1's refueled four times from the Boeing C 135 F's of the FAS [Strategic Air Forces] that accompanied them.

For several months exercises of long duration of this sort have been carried out within the national air space. The Solenzara-Djibouti flight was in fact no more than the confirmation of a proven technique.

In-flight refueling is no novelty, but until recent years it was restricted in France to the Mirage IV's of the Strategic Air Forces. Today 118 Jaguars of the PATAC [Tactical Air Force] and 25 Mirage F-1's of the DA [Air Defense] are equipped with refueling rods and may therefore be deployed at very short notice to remote bases.

The distance that may be covered by fighter planes, though no longer limited by their fuel capacity, is limited by their lubricating oil capacity for the engines and naturally by the endurance of the pilots. These two checks make it impossible to consider a flight of more than 6 or 7 hours, that is, distances of 5000 to 6000 kilometers. Such a radius of operation makes it possible to cover all of the African zone of interest to France from the Metropole, as far as Zaire.

In-flight refueling offers other possibilities; still in the area of military intervention, the mounting of an escort mission, and in operations over the home territory, prolonged alert patrols for air defense.

The Unobtainable Tanker Aircraft

France at present has 11 C-125 F tanker aircraft of the 12 acquired at the time of the creation of the national strike force. These aircraft are in excellent condition and have just come back from having had modifications performed by Boeing, the manufacturer. Until 1985, the date scheduled for phasing out most of the force of Mirage IV aircraft, they should satisfy in parallel fashion both the requirements of the Strategic Air Force and the quite recent requirements of the tactical forces and those for air defense. Obviously, there is a problem there.

The Air Force would have liked to have a half-dozen additional tankers available to meet new obligations. Unfortunately, the C-135 F (alias KC 135) is no longer manufactured by Boeing--moreover, would such a purchase as this have had the support of public opinion and the government at a time when France, in cooperation with the rest of Europe, was taking the stance of Boeing's chief competitor in the field of civil aviation? The United States Air Force, which has about 700 KC-135's, has no intention of parting with a single one of these aircraft, especially in the present international situation. There is therefore no possibility whatsoever of increasing the fleet of C-135 F's, an aircraft for which there is no equivalent at present. At one time there was discussion of a refueling version of the Airbus A-300. This proposal was made at a time when the European aircraft could find no customers, whereas today Airbus Industrie is actually beset with production problems to keep up with the demand, and more importantly, the A-300 responds poorly to the needs of the Air Force because of its two-engine mode of power-plant.

Therefore it will be necessary to get along with the 11 C-135 F's now on hand, whatever constraints may be imposed by the small size of this fleet which last year principally served the tactical forces: 55 percent of the refueling operations were performed for the Mirage IV's of the Strategic Air Force, 35 percent for Jaguars in the Tactical Air Forces and 10 percent for the F-1's of Air Defense.

"After 1985, when the strategic impairment will be lifted, we will have enough tanker aircraft," is the estimate of General Soulner, commander of the Strategic Forces. Some observers nevertheless remain skeptical. At the end of the decade, when the Mirage 2000's, all equipped for in-flight refueling, will be in service, that will be more than 250 aircraft equipped with refueling booms. One might raise the question whether the fleet of tanker aircraft planned for 20 years before to supply the needs of some 50 bombers will really be enough.

[Box] The Technique

There are two categories of systems for in-flight refueling:

- The system "probe and drogue" in which the tanker aircraft drags behind it a flexible pipe with a passively stabilized funnel at the end. This pipe [hose] is rolled on a drum;
- the "flying boom" system which consists of a rigid sliding pole (boom) that can be directed by the pilot of the tanker aircraft.

The system used in the KC-135 F is hybrid, it consists of a "flying boom" 14 meters long with a flexible pipe 2.40 meters long at the end. This system has the advantage of practical adaptability to all types of aircraft to be refueled (it is also the system on the American KC-135's).

The refueling operation consists of two phases: the rendezvous and the fuel transfer. The rendezvous consist of bringing the tanker aircraft and the aircraft to be refueled in visual contact. This operation can be effected autonomously; either en route: the aircraft to be refueled arranges its navigation to catch up with the tanker aircraft at the preordained time; or else on point: the tanker aircraft waits for the aircraft to be refueled by orbiting at a given point and manages its orbiting so it is in position in front of the aircraft to be refueled at the point and moment planned.

The delivery of fuel is effected at full rate of flow of 600 liters per hour for fighter aircraft, 1,400 liters per hour for Mirage IV's. At present the operation is effected at between 8000 and 9000 meters altitude at approximately 850 kilometers per hour. Refuelings have been done at low attitudes (300 meters) but the operation becomes very difficult if there is any wind.

Pilots of the Mirage IV average one mission with refueling per week, pilots of the F-1's and Jaguars suitably equipped fly only one or two per month. Difficulties are chiefly due to poor visibility which delays the rendezvous, turbulences (the aircraft being refueled must not move more than one meter in any direction with respect to the tanker aircraft's ideal position) and the presence of clouds which sometimes induce sensory hallucinations in the pilots. [End Box]

The C-135 F's have a useful life expectancy that is numbered in decades, and this leads to the logical conclusion that they might be equipped with a new jet engine less fuel-greedy than the present Pratt & Whitney J57's. The Air Force will follow the example of the United States Air Force by installing in its tanker aircraft SNECMA/ General Electric CFM 56 engines which will enable the C-135-F's to deliver 30 percent more fuel at the same distance possible today, or deliver the same quantity as today but 30 percent further away. There is however no date scheduled for this engine change. The engines presently in service, despite their limitations, work well, and the Air Force still has on hand a stock of replacement engines

purchased at the time the aircraft were acquired. Nevertheless, the United States Air Force decision is bound to hasten France's decision.

Also the Transall

The flexibility of employment that facilitates in-flight refueling leads one to anticipate its generalized use. All Mirage 2000's will be in-flight refuelable, both the air defense versions as well as the penetration models. The new F-1's for reconnaissance will have this same capability. The Transall 160's of the new series due to come into production will have a double capability, refueler-refueled, which will confer on them possibilities of deployment coherent with the rest of the Air Force's aircraft inventory (see p 22 of this issue).

France will thus have a complete offensive air arm that will enable it to honor its commitments efficiently over the world, especially in Africa, and without a doubt will increase its credibility. The major powers are following in the same tracks as France and are equipping all their new aircraft with refueling capability. Thus a technique that had its inception in the 1930's has returned to occupy center stage in the present as a political instrument.

2750

CSO: 3100

NIGERIA TO SUPPLY NATURAL GAS

Paris LE MONDE in French 5 Mar 80 p 3

[Article by Bruno Dethomas]

[Text] On 29 February, in Paris, a consortium of European gas companies signed with the Nigerian company Bonny LNG [Liquid Natural Gas] the protocol of an agreement for the purchase, over a period of 20 years -- starting in 1985 -- of 8 billion cubic meters of liquid natural gas a year.

The contract had been under negotiation for several years by the French Gas Company, SNAM [Natural Gas Pipeline Company] (Italy), Distrigaz (Belgium), Gasunie (Netherlands), ENAGAS [National Gas Enterprise] (Spain); and three West German firms: Thyssengas, Brigitta, and Ruhrgas. Besides the Nigerian National Petroleum Corporation (60 percent), the shareholders in Bonny LNG are the following oil companies: Shell (10 percent); BP [British Petroleum Company] (10 percent); Phillips (7.5 percent); AGIP [National Italian Oil Company] (7.5 percent); and Elf-Aquitaine (5 percent).

The liquefaction project as a whole will cost over 10 million dollars and will include construction of a plant with six liquefaction production lines (on which work will begin in 1981). The gas will be sold CIF (cost, insurance, and freight), and will require purchase by Bonny LNG of 16 methane tankers of 130,000 cubic meters capacity.

The 8 billion cubic meters of gas sold yearly to the European consortium amounts in fact to a floor. Bonny LNG, indeed, signed at the same time a sales contract with several American gas companies for a further 8 billion cubic meters of gas a year. But the reluctance of the American administration to endorse such contracts is common knowledge. Two companies (El Paso and Tenneco), which had bought gas from Algeria thus were denied authorization to import liquid natural gas. The European consortium has therefore undertaken to purchase (and Nigeria will be obligated to sell) any additional quantity of gas left available by the American companies.

This contract will enable the French Gas Company, which headed up the consortium during the negotiations, to diversify its supplies and thus

guarantee replacement of those from Iran, which gave up exporting gas after the revolution.¹ The share of French enterprise will indeed be 2 billion cubic meters, or the equivalent of Elf-Aquitaine's potential gas production in Nigeria. The French Gas Company, which has the import monopoly, might as a matter of fact yield a portion of the gas (as it did with Ekofisk's) to the French Methane Company -- a subsidiary of GDF [French Gas Company] and Elf-Aquitaine -- to make up for the decline of the Lacq field in distribution on southwestern France.

The French equipment companies might also reap some advantage from some spin-offs from the contract. TECHNIP [expansion unknown], which has already completed some liquefaction units in Algeria, is a candidate for the Bonny plant, in competition particularly with Bechtel and Kellogg, the American companies. Moreover, it is quite likely that France will build at least one of the 16 methane tankers that will be needed for transporting the gas.

Lastly, as regards price -- at the moment under litigation between France and Algeria (LE MONDE, 4 March) -- the contract signed in Nigeria is in line with the new world prices (at the level of the gas sold by Canada in Nigeria, which is around 4.50 dollars per million BTU) and is protected by a price-pegging clause against inflation in consumer countries and changes in petroleum product barrel price.

Nigeria and Algeria have always had a similar policy regarding oil prices; it is likely, therefore, that their policies on gas prices will be close. Whereas Algeria wants to increase its LNG prices from 3 to 6 dollars per million BTU, it is conceivable that a compromise between 4.50 and 5 dollars might be made with Paris.

¹ Besides the output from Lacq (30.3 percent), four countries contribute to supplies for France: the Netherlands (39.4 percent); Norway (7.8 percent); the USSR (10.5 percent); and Algeria (12.4 percent).

BACKGROUND, STATISTICS ON OIL EXPLORATION REPORTED

Athens BUSINESS & FINANCE in English 22 Mar 80 pp 9-21

[Text]

Some millions of years ago, when water still covered a large part of today's continents, oil started to be formed in the sub-soil. The remnants of various organisms deposited in the submerged areas were mixed with mud, stones etc. and brought down to the sea by rivers where they formed layers hundreds of meters thick at the bottom. The subsequent geophysical upheavals which took place on earth in the following millennia resulted in the "trapping" of the petroliferous organic material in porous layers where, under the influence of pressure, temperature and bacteria, it was transformed in liquid hydrocarbons, i.e. in oil.

The oil remained "trapped" and largely unexploited in the sub-soil up to 1859 when the American Ed. Drake successfully sank the first oil well in Pennsylvania. From that time the development in technology and the methods of searching for oil has been rapid and today oil-well drilling has expanded into the seas and even into Arctic regions.

Locating oil is carried out by various methods and many scientific means (e.g. seismic studies, geophysical studies for spotting rocks which might hold oil, etc.) As soon as a potential oil-bearing area is located explorations

drillings begin. The probability of eventually discovering oil is approximately one in ten while the probability of this oil being commercially exploitable (in quantity and quality) is one in fifty or one in a hundred.

When those "preliminary" stages are successfully completed, the production and pumping of crude oil follows. The system of drilling and pumping oil is complex and different systems of drilling are used on land and at sea, where floating platforms or special ships are used. A floating production/pumping platform may be 250 meters high and weigh 290,000 tons. The cost of oil-well drilling at sea for exploration purposes may be higher than 200 million drachmas.

Establishing of DEP

Exploration for oil in Greece is carried out under the guidance of the Public Petroleum Corporation (DEP) which was established following a Cabinet meeting in 1975 as a special Greek government agency with an initial capital of one billion drachmas and the Greek State as sole shareholder.

EXPLORATORY WELLS FOR HYDROCARBONS (1954-1974)

YEAR	LOCATION	WELLS NAME	TOTAL DEPTH IN M.	RESULTS	COMPANIES
1954	WEST PELOPONNESUS	VOUNARGON 1	2,370	DRY HOLE	HELLIS
1954	"	VOUNARGON 2	2,135	"	"
1954	"	PELOPON 1	2,012	"	"
1955	THRACE	TAURI 1	876	"	DEILMAN - HELIOS
1956	"	TAURI 2	1,070	"	"
1956	"	TAURI 3	1,169	"	"
1956	"	ARDANION 1	2,323	OIL AND GAS SHOWS	"
1957	"	EVROS 1	2,658	DRY HOLE	"
1957	"	TAURI 4	1,336	GAS SHOWS	"
1957	ZAKYNTHOS ISLAND	KERI 101	492	OIL SHOWS	PAN ISRAEL - AMER. PETRO.
1957	"	KERI 102	236	OIL AND ASPHALT SHOWS	"
1957	"	KERI 103	403	ASPHALT SHOWS	"
1957	"	KERI 104	314	OIL SHOWS	"
1957	"	KERI 105	187	"	"
1957	"	KERI 106	151	"	"
1961	THRACE	ORESTIAS 1	2,133	OIL AND GAS SHOWS	RIAP - HELIOS
1961	"	ORESTIAS 2	3,055	"	"
1961	"	BUYONON 1	1,745	GAS SHOWS	"
1961	ZAKYNTHOS ISLAND	AGIOS LEON 1	3,679	OIL SHOWS	ESSO - HELLENIC
1961	MACEDONIA	KORYFI	3,495	DRY HOLE	HUNT
1961	"	KLIDI	4,090	"	"
1962	WEST PELOPONNESUS	K1	144.75	"	ESSO - HELLENIC
1962	"	K2	90.35	"	"
1962	ZAKYNTHOS ISLAND	Z1	492	"	"
1962	"	Z2	506	"	"
1962	"	Z3	504.6	"	"
1962	WEST PELOPONNESUS	SOSTION 1	3,951.6	"	"
1962	"	KELEVI 1	1,844	"	"
1962	PAXI ISLAND	PAXI 1	3,180	HYDROCARBON SHOWS	"
1962	EPIRUS	MAZARAKIA	791	DRY HOLE	GREEK STATE - I.G.S.R. *
1962	"	ARI	709	DRY HOLE	GREEK STATE - I.G.S.R. *
1962	MACEDONIA	YANNITSA	2,607	"	HUNT

Year	Location	Wells' Name	Total Depth In M.	Results	Companies
1963	MESSINIA	FILIATRA 1	3 755	HYDROCARBON SHOWS	ESSO - HELLENIC
1963	EPIRUS	AR3	2 547	OIL AND GAS SHOWS	GREEK STATE - I G S R *
1963	"	RIZA 1	505	DRY HOLE	"
1963	"	AY1	2 405	"	"
1963	WEST STEREA HELLAS	ETOLIKON 1	4 573 6	GAS SHOWS	B P
1963	THRACE	DELTA EVROU 1	3 548	OIL AND GAS SHOWS	RAP - HELIOS
1963	RHODOS ISLAND	KATAVIA 1	1 963	DRY HOLE	SAFOR
1964	WEST STEREA HELLAS	ASTAKOS 1	3 323	"	B P
1964	EPIRUS	AY2	2 516	"	GREEK STATE - I G S R *
1965	RHODOS	POLYSTRATON 1	1 560	DRY HOLE	SAFOR
1965	EPIRUS	FILIATES 1	3 823	OIL AND GAS SHOWS	GREEK STATE - I G S R *
1967	MACEDONIA	NEAPOLIS 1	691	DRY HOLE	"
1967	"	NEAPOLIS 2	1 126 4	"	"
1967	THESSALIA	AGNANTERON 1	910	"	"
1967	"	AGNANTERON 2	930	"	"
1967	"	ALMANDAR 4	700	"	"
1967	MACEDONIA	KARIOTISSA 1	690	GAS SHOWS	"
1967	"	AGRIOSYKIA 1	1 524	DRY HOLE	"
1967	"	GIORDINO 1	666 4	"	"
1967	"	GIORDINO 2	2 091 6	"	"
1967	"	LEPTOKARYA 1	1 909	"	"
1970	Thermaikos Gulf	A2	3 660	"	TEXACO
1970	"	C1	3 564	"	"
1971	OFFSHORE THASSOS	EAST THASSOS	2 270	GAS SHOWS	OCEANIC - COLORADO
1972	ZAKYNTHOS ISLAND	KYPSELI 1	1 318	OIL SHOWS	AN CAR - OIL
1973	"	LAGANA 1	842	GAS SHOWS	"
1973	OFFSHORE LEMNOS	LEMNOS 1	2 572	DRY HOLE	ADA OIL
1973	OFFSHORE THASSOS	S KAVALA 1	2 034	NATURAL GAS	OCEANIC - COLORADO
1973	"	S KAVALA 2	3 268	OIL AND GAS SHOWS	"
1974	CHALKIDIKI	KALLIKRATIA 1	1 425	DRY HOLE	ANSCHUTZ OVERSEAS
1974	PIERRIA	AIGINION 1	2 744	"	"
1974	OFFSHORE THASSOS	PRINOS 1	3 216	OIL	OCEANIC
1974	"	PRINOS 2	2 848	"	"

*Institute Geology & Subsurface Research

This governmental decision was enacted by the Greek Parliament into Public Law No. 87 which was published in the Official Gazette of July 25, 1975.

Since then, DEP has started operating as a Societe Anonyme Corporation under the supervision of the Ministry of Industry and Energy. Its task is to develop and exploit Greek energy resources, in a methodical and dynamic way.

It has become common sense that domestic production of oil gas is bound to become a determining factor with respect to Greece's economic development. In 1978 over one billion dollars were spent on oil imports to satisfy the country's energy requirements. To carry out its mission, DEP has made arrangements with the French Petroleum Institute (BEIGIP) to act as its consultant. On specific problems, DEP makes use of the advice and guidance of experts – both Greek and foreign – the latter from such countries as England, France, West Germany, U.S.A, Canada, Norway and Romania. Moreover DEP often enlists the cooperation of state oil organizations, such as the British BNOC, – the Italian ENI and the Norwegian STATOIL.

The History of oil exploitation in Greece

The first exploratory work for oil in Greece dates back to 1848, soon after the country regained its independence from the Turks. It was undertaken by the Austrian Lloyd Company in the area of the island of Zakynthos in the Ionian Sea. In 1865, a Hellenic-American Company also sank shallow exploratory wells in the same area. In 1891 the Greek state carried out some preliminary oil prospecting work on a very limited scale while in 1903 the London Oil Development Company Ltd. made two additional drillings. Then, in 1913, Mr. D. Polaitis, a Greek businessman, drilled two shallow wells in the same area. All these exploratory drillings in the area of the island of Zakynthos

proved negative, being rather empirical in character and not deep enough to be of any practical value.

In the period from 1930 to 1939, the German Company Deilman A.G., in association with the National Bank of Greece, started exploration work in Western Thrace in a little more systematic way. Some sandstone layers were struck and penetrated in this venture but their oil producing capacity was negligible.

In 1939/1940 a Greek-American, named William Hellis from Louisiana, launched a comparatively better-organized oil exploration project on the North-West coast of Peloponnesus and drilled several medium-depth wells, totalling about 5,000 meters in length. These drillings produced some promising indications but failed to reveal any commercial exploitable hydrocarbon reserves.

In 1959, the first institutional framework pertaining to hydrocarbon exploration was promulgated in the form of Law 3948/59. On the basis of this law, the Greek Ministry of Industry, acting through a special agency – the Institute for Geology and Subsurface Research – was commissioned to carry out an extensive program of geological and geophysical surveys, as well as a series of exploratory drillings in many areas of Greece. It was in this connection that an extensive subsoil reconnaissance program, encompassing the entire Greek territory, was initiated on a more scientific and systematic basis.

Beginning with the year 1971, long-term concessions for oil exploration and exploitation were granted to foreign companies by the military dictatorship government then in power. As a result of these more thorough exploratory operations, the first worthwhile oil discovery was made in 1973, offshore from Kavala in the sea area of the North Aegean island of Thassos by a joint venture of a group of oil companies. These discoveries have come to be known as the "Prinos Oil Field".

DRILLINGS FOR PETROLEUM CONDUCTED BY DEP

YEAR	LOCATION	WELLS' NAME	TOTAL DEPTH IN M.	RESULTS
1976 - 77	NESTOS DELTA	N-1	3.159	DRY HOLE
1977	NESTOS DELTA	N-2	3.970	NATURAL GAS SHOWS
1977	KOMOTINI	K-1	1.736	DRY HOLE
1978	NESTOS DELTA	N-3	3.851	NATURAL GAS SHOWS
1978	PARGA	PARGA 1	3.500	NOT COMPLETED
TOTAL			16.216	

DEP's objectives

The basic objective of DEP is the development of all aspects of the Greek petroleum industry. To achieve this goal, DEP started an oil exploration programme covering the entire country. Among other things, DEP has acquired appropriate modern equipment and instrumentation and has attracted Greek petroleum specialists trained and working in various foreign countries.

At the very beginning, DEP used the experience of British, French, Norwegian and Romanian Companies to organize its own prospecting and exploration teams. Exploratory work is now in progress on several on shore and offshore projects in various parts of Greece and DEP's contribution in this respect has been considerable. The final target is DEP's deeper involvement in the production, processing, transport and marketing of any hydrocarbon discoveries.

Even before DEP's establishment as a corporate entity, an oil discovery, offshore from Cavala, in the area of the North Aegean island of Thassos, had been made. After several appraisal drillings over the following years, a commercially exploitable oil field, which came to be known as the 'Prinos' field, was spotted.

The initial agreement signed between the American Oceanic Exploration Company of Denver, Colorado, and the military dictatorship government of Greece on December 23, 1969, was amended right after the restoration of

democracy in Greece and was adjusted to a pattern conforming more closely to good international oil field development practice. An essentially revised agreement was negotiated and signed on August 1, 1973, between the Greek State and a consortium comprising the Oceanic Exploration Company of Greece, the Whiteshield (Greece) Oil Company, Wintershall A.G. of West Germany and the Hellenic Oil Company Inc. The main alterations were:

- From a lease agreement that it originally was, the contract was converted to a production-sharing agreement.

- The Greek State remains the sole proprietor of the oil field while the consortium undertakes the development of the field and the production of oil at its own expense, the pay-off being in the form of an agreed percentage of the amount of oil produced.

- The concession for exploratory work was limited to an area of 1,600 sq. km. instead of 8,500 sq. km., as was provided in the original agreement. The exploration period was reduced from 36 to 4 years and at the same time the consortium was committed to drill at least six offshore deep wells during the new exploration period.

- In case of resort to arbitration, the President of the Greek Supreme Court would be designated as an arbiter, instead of the President of the International Court of Justice at The Hague, as heretofore.

Later on, the Oceanic Exploration Company was replaced fully in the above consortium by the Denison Mines Ltd. of Toronto, Canada, and the transfer of rights was ratified by law, enacted on February 10, 1977. As a result of this transfer, a new operating company was created, known as the North Aegean Petroleum Co. (EPE).

Prior to the revision of the agreement, the consortium had completed five drillings of an aggregate depth of 13,640 meters. Since the establishment of DEP, the consortium, under DEP supervision, drilled an additional five exploratory wells and completed ten deep offshore appraisal drillings totalling 25,120 meters in depth.

The development phase of the Prinos oil field is already well underway and start-up for oil production is planned in 1981. So far, the consortium's outlay has exceeded the amount of \$50,000,000. The total cost of the investment for the complete development of the Prinos oil field is currently estimated at more than \$300,000,000.

DEP activities throughout Greece

DEP's exploration activities have gradually expanded to cover the entire territory of Greece and they now include the geological and geophysical prospecting connected with deep drilling. An extensive and thorough onshore survey is currently in progress. This covers thousands of square kilometers in Western and Eastern Greece, both onshore and offshore. By the end of the summer of 1978, the following projects were completed by DEP:

Geological mappings on a scale of 1:50,000 of the areas of Xanthi-Komotini, the Philippi valley, the Strymon River valley, the north-western coast of Peloponnesus, West Thessaly and the districts of Etoloakarnania

and Epirus, totalling approximately 8,800 sq. km. More detailed geological mappings on a scale of 1:25,000 were prepared for the areas of Parga, Kiparissia and the island of Cephalonia, representing a total area of about 250 sq. km.

Onshore geophysical exploration and special seismic surveys extending over a line of 5,476.60 km. and gravimetric surveys at 5,134 points were completed. Offshore, another 1,934 km. of seismic surveys in the areas of Nestos, Xanthi-Komotini, Philippi, Strymon, N.W. Peloponnesus, Preveza, the Gulf of Patras, Laconia and Messini, the islands of Paxi and Corfu, were carried out.

Drillings of an aggregate depth of 12,716 m. were completed on four wells in the areas of the River Nestos and Komotini in Northern Greece.

The first series of offshore drillings in the Ionian sea was started by the Western Offshore Drilling Exploration Company for the account and under the supervision of DEP.

The Prinos project

The \$300 million Prinos project encompasses the development of two hydrocarbon reservoirs, the Prinos Oil Field and the South Kavala Gas Field, with a planned production of some 55 million barrels of crude oil and 30 billion cubic feet of natural gas. Members of the Consortium and their respective interests in the Project are as follows:

Denison Mines Limited	68.75%
Hellenic Oil Company, Inc. (a subsidiary of Fluor Corporation)	14.0625%
Wintershall Hellas Petroleum SA (a subsidiary of Wintershall AG)	12.50%
White Shield Greece Oil Corporation	4.6875%

The above members hold their interests in the Prinos Field through a development licence forming part of a licence agreement dated June 14, 1973 between the Greek State and Oceanic Exploration Co. of Greece, Hellenic Oil Company, Inc., Wintershall Aktiengesellschaft and White Shield Greece Oil Corporation. Denison Mines Limited has acquired the interest of Oceanic Exploration Co. of Greece (which no longer has any direct ownership interest in the field) and Wintershall Hellas Petroleum S.A. acquired its interest from its parent, Wintershall Aktiengesellschaft. The Consortium has acquired, pursuant to the licence agreement, a similar development licence covering the South Kavala Gas Field.

The operating company for the Consortium is South Aegean Petroleum Company E.P.E. (SAPE) incorporated in Greece and wholly owned by the Consortium. Fluor Ocean Services Inc., a subsidiary of Fluor Corporation, will be the general contractor to design and provide management services outside Greece for the construction of the Project facilities. Fluor Ocean Services International, Inc., another subsidiary of Fluor Corporation, will render technical assistance within Greece for such construction.

The oil field

The Prinos oil field, covering approximately 1,000 acres in area, is located in 100-170 feet of water in the Aegean Sea, five miles west of Prinos on the Island of Thassos and twelve miles southeast of the city of Kavala on the Greek mainland. This Field was discovered in February 1974 with the drilling and testing of Prinos No. 1 well and, subsequently, six additional wells were drilled to delineate the Field. The presence of an economically producible, medium gravity oil reserve has been confirmed.

The drilling of seven wells has indicated the limits and provided a basis (together with other studies) for the quantification of the oil-in-place in the Prinos Field. Testing of the wells and modelling studies have shown that water flooding will be required at the outset of production to maintain reservoir pressure. The pattern, location and number (18) of producing and injector wells have been optimized by three dimensional reservoir model studies. The well locations, completions and production/injection pattern will be adjusted as new subsurface information is obtained during development drilling. The Consortium engaged two consultants, H.K. van Puijlen and Associates, Inc., and DeGolyer and MacNaughton, to evaluate the reservoir performance and the recoverable reserves of the Field and these two consultants separately arrived at figures close to 55 million barrels. See "Summary of Consultants' Reports" for a more detailed summary of the reports of these consultants.

South Kavala

The South Kavala natural gas field, located seven miles south of the Prinos oil field in water having a depth of 160-190 feet, was discovered in 1972. Seven wells have been drilled in the South Kavala structure to delineate reserves and the presence of a sweet natural gas reserve has been confirmed which can be economically developed in conjunction with the Prinos Field.

Based on seismic information and the results of the drilling of 7 wells in the area, the Consortium has volumetrically estimated the recoverable reserves of the South Kavala field at 30 billion cubic feet. Of this amount, it is estimated that 10 billion cubic feet will be used to provide the energy requirements for the Prinos facilities and the balance will be available for sale.

OFFSHORE DRILLING EXPLORATION IN THASSOS AREA TILL JULY 1978

YEAR	WELL'S NAME	TOTAL DEPTH IN M	RESULTS	COMPANIES
1971	EAST THASSOS	2 270	HEAVY OIL	OCEANIC · COLORADO
1972	SOUTH KAVALA 1	2 034	NATURAL GAS	· ·
1973	SOUTH KAVALA 2	3 268	OIL AND GAS SHOWS	· ·
1974	PRINOS 1	3 218	OIL	OCEANIC
1974	PRINOS 2	2 848	·	·
1975 · 76	PRINOS 3	3 141	·	·
1976	PRINOS 4	3 356	·	·
1976	AMMODI 1	3 494	DRY HOLE	CONSORTIUM (WINTERSHALL)
1976 · 77	PRINOS 5 (2 804 M)			
	PRINOS 5A (226 M)	3 030	OIL	·
1977	PRINOS 6	2 847	·	·
1977	APOLLONIA 1	3 148	DRY HOLE	·
1977	WEST THASSOS 1	2 084	·	·
1978	PERAMOS 1	3 443	·	CONSORTIUM (NAPC)
1978	PERAMOS 2	2 712	·	·
1978	SOUTH KAVALA 3	1 828	ABANDONED	·
1978	SOUTH KAVALA 4	2 096	GAS	·
1978	SOUTH KAVALA 3A	2 026	DRY HOLE	·
1978	SOUTH KAVALA 3B	2 030	GAS	·
1978	SOUTH KAVALA 5	1 803	·	·

Environmental considerations

The area is seismically active and predictions of the 100-year storm indicate that design of structures must consider a 30 foot wave. The well effluent from Prinós contains a 35 to 40 mole percent of hydrogen sulfide. Obviously, the population, character infrastructure and seismicity of the area coupled with the corrosive and toxic characteristics of hydrogen sulfide and its oxidation product, sulfur dioxide, have a strong bearing on all aspects of field development.

It is clear that H₂S and SO₂ emissions must be limited to levels that are acceptable in other environmentally conscious countries. Since Greece does not have its own statute governing emissions, the atmospheric pollution criteria governing process design will be based on the well defined regulations contained in the "Alberta Clean Air Act," commonly referred to as the "Alberta Rules."

All parties involved in the development of the Project are fully cognizant of the environmental implications and are dedicated to design and operate the facilities so as to ensure complete safety and protection of workers, the public and the environment. Use of proven state-of-art technology and standard good oil field practice are decided reasons for the expectation that the Project can be completed and operated "cleanly." Additionally, Fluor and Wintershall AG have extensive experience in the field of sulfur processing and will be utilizing this expertise to the fullest.

Prevention of sea pollution will be guided by the standards established by the International Conventions of London of May 12, 1954 and April 13, 1962, and subsequently ratified by Legislative Decree of Greece No. 4529 of July 25, 1966, entitled "Prevention of Pollution of the Sea by Hydrocarbons"

Time table

It has been announced that daily crude oil production from Prinos off shore oilfield at 25,000 barrels will begin early 1981. This represents about 1,170,000 tons a year or a little more than 10% of Greek consumption (a barrel of oil is equivalent to 42 gallons or 160 litres of oil). The oil belongs to a special category because it contains approximately 40% of hydrogen sulphide gas. This gas is going to be separated from the produced oil and has to be converted in a so-called desulfurisation process into elemental solid sulfur.

The possibilities for refining Prinos oil in Greece are also being examined. The composition of the oil makes refining problematic. Prinos oil will be blended with other foreign oils (probably). Every refinery mixes several qualities to equalize varying compositions for receiving more stable and standardized end products. The desulfurization of Prinos' oil will help in improving the quality of the crude to be distilled.

DEP has declared to the consortium that it would like the oil to remain and be refined in Greece for the country's common interests. There are discussions currently taking place between DEP and NAPC to settle this matter.

Some basic economic aspects

The commercial exploitation of an oil reserve depends on estimations which are based on the data available at the time of the discovery. These estimations remain, however, only an indication because the parameters of the quantities of the reserves, the selling price of the products, etc., are usually determined at a future date. The position of those parameters and the

'value-path' they follow are two basic factors influencing any decision concerning the exploitability of oil reserves, up to a certain extent. In this framework we can distinguish three basic elements:

- 1) Production
- 2) The prices of the products
- 3) The necessary costs for developing the reserves and bringing the produced oil to the refinery

In the case of Prinos oil reserves, we have a continuous flow of new elements. Thus the estimations are continuously renewed and we cannot talk yet with great precision about the three above elements. Every difficulty presented (technical or other) makes it a more delicate matter. Beginning with the element of production, if exact quantities to be produced and the prices of the products at the time of their marketing were known, it would be possible, by estimating the cost of production, to find the total value of the whole process in more concrete and specific terms.

There are, of course, existing plans of the various procedures but they have to be adapted to suit the new elements which are continuously appearing. The basic tools for this kind of work are, firstly, the Theory of Probabilities and, secondly, the Theory of Mathematical Expectations and Stochastic Processes. We are, therefore, concerned about a delicate matter, by its own nature, which does not allow us to draw any specific conclusions yet. There is also technical uncertainty which, to some extent, is due to the fact that the Prinos oil reserves have been found at a depth of more than 3,000 metres. Furthermore, the hydrogen sulphide contained in the well effluent creates problems for the machinery and equipment used, as well as in the process of exploitation, thus influencing costs.

SURVEYS CONDUCTED BY DLP

GEOLOGICAL

TYPE OF WORK	LOCATION	UNIT	TOTAL AREA
GEOLOGICAL MAPPING (PHOTO GEOLOGY, STRATIGRAPHY AND TECTONIC) SCALE 1:50,000	XANTHI - KOMOTINI	SQ. KM	1,300
	PHILIPPI - DRAMA	"	1,100
	STRYMON	"	1,600
	NW PELOPONNESUS	"	3,300
	ETOLOAKARNANIA - EPIRUS	"	1,100
	W THESSALIA	"	400
GEOLOGICAL MAPPING SCALE 1:25,000	PARGA, KYPARISSIA AND CEPHALONIA	"	250
	TOTAL	SQ. KM	9,050

GEOFYSICAL

SEISMIC

LOCATION	UNIT	TOTAL LENGTH
ONSHORE		
NESTOS DELTA	KM	97.3
PHILIPPI - DRAMA	"	128.7
STRYMON - SERRES	"	32.5
XANTHI - KOMOTINI	"	204
NW PELOPONNESUS	"	684
PREVEZA	"	50
TOTAL		1,196.5

OFFSHORE

VISTHONIS BAY	KM	52
PATRAIKOS GULF	"	1,064
LAKONIKOS - MESSINIAKOS GULF	"	910
PAXI - PARGA	"	226
W PATRAIKOS GULF - ZAKYNTHOS	"	1,110.5
CORFU - PAXI - PREVEZA - LEFKAS	"	917.6
TOTAL KM		4,280.10

GRAVIMETRY

LOCATION	UNIT	TOTAL
ONSHORE		
NESTOS DELTA	POINTS	540
XANTHI - KOMOTINI	"	481
PHILIPPI - DRAMA	"	532
STRYMON - SERRES	"	1,130
NW PELOPONNESUS	"	2,451
TOTAL POINTS		5,134

OFFSHORE

PATRAIKOS GULF	KM	1,011.7
PAXI	"	922
TOTAL	KM	1,933.7

GEOMAGNETIC

LOCATION	UNIT	TOTAL LENGTH
PATRAIKOS GULF	KM	1,019.5
PAXI - PARGA	"	907
TOTAL KM		1,926.5

In general, every new development is recorded and used in checking the already existing estimations. Therefore, the estimations are bound to become continuously better and less biased. This, however, does not mean that uncertainty in some factors is completely abolished. There will be estimations which will become better and more precise as soon as production starts. At present some parameters concerning the quality and the properties of the oil reserves are unknown. These influence directly the rate of production, the total quantity to be produced, and the cost of production. If, at a certain time, the rate of production has to be influenced by an alternative and economically better process, a specific technique has to be used and this will be reflected in the cost of the oil. Of course all the above mentioned factors are interdependent.

We can see, therefore, that costs are the basic factor so far. They have to be checked and programmed and they are continuously changing. Capital services, return on investment, social welfare, or savings in foreign exchange expenditures are all matters which cannot be discussed with a great deal of precision, at least at the present.

DEP is not in a position to know yet what will be the final cost (it will approximate \$300 million) or what will be the final value of the production because future prices are, of course, unknown. The costs of production (technical equipment, materials, tools, labour costs, etc.) follow an increasing trend. Prices also follow an increasing path but the relation between prices

and costs is not proportionate. The degree of interdependence between costs and prices cannot be absolutely known. The OPEC countries partly effect this interdependence when they increase their prices.

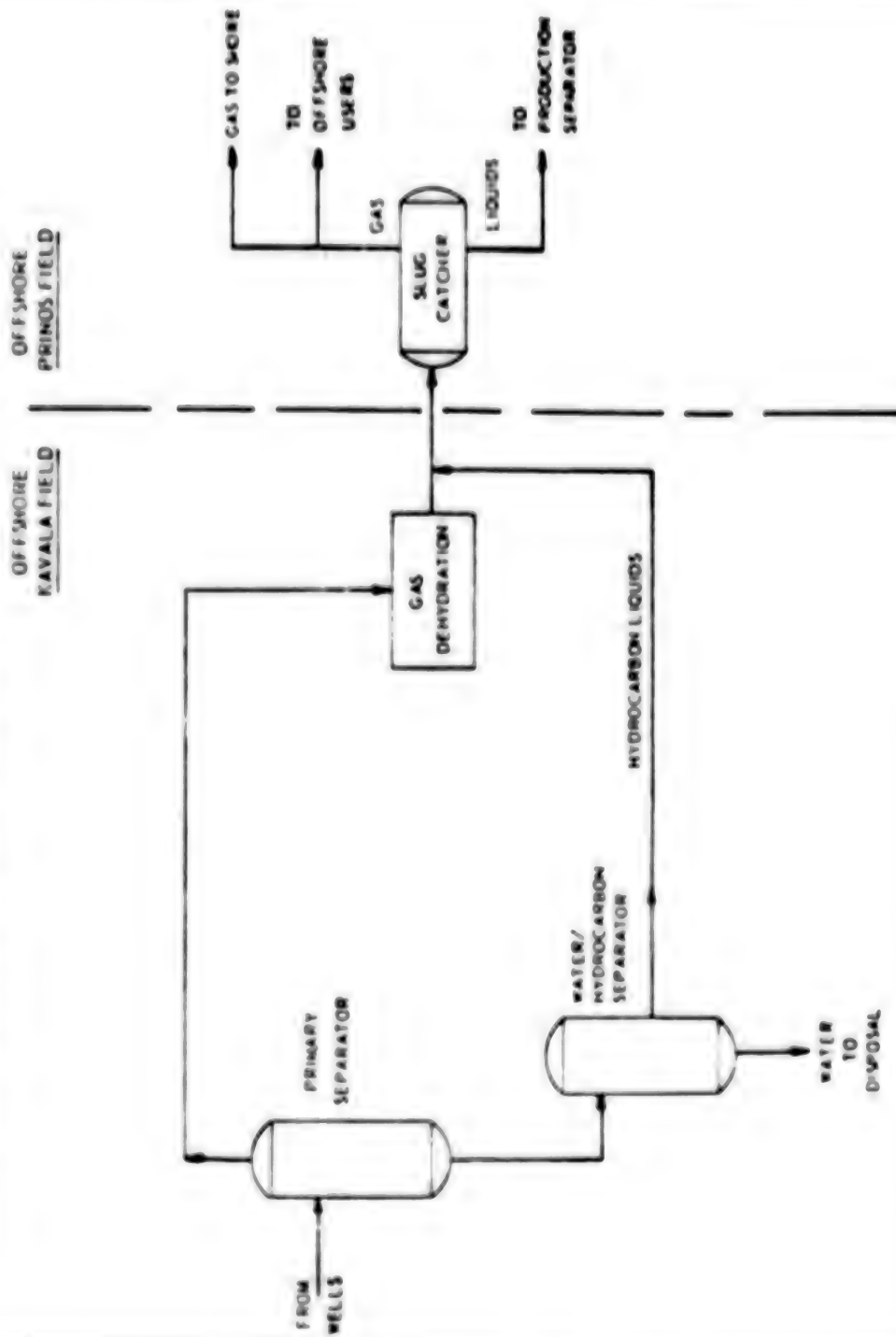
Types of investments

Investment in operations concerning oil reserves can be of various types. One of them is the investment required to cover the pre-development costs. This roughly consists of the following procedural stages: expenses for seismic and other explorations; exploratory drillings for the location of oil reserves; this has to be followed by the establishment of the reserve's perimeter so that its size becomes known. These are the basic three cost components of the pre-development stage. The development of the resource and the extraction of oil, as well as its carriage through pipelines and its onshore treatment, naturally involve many other separate investments.

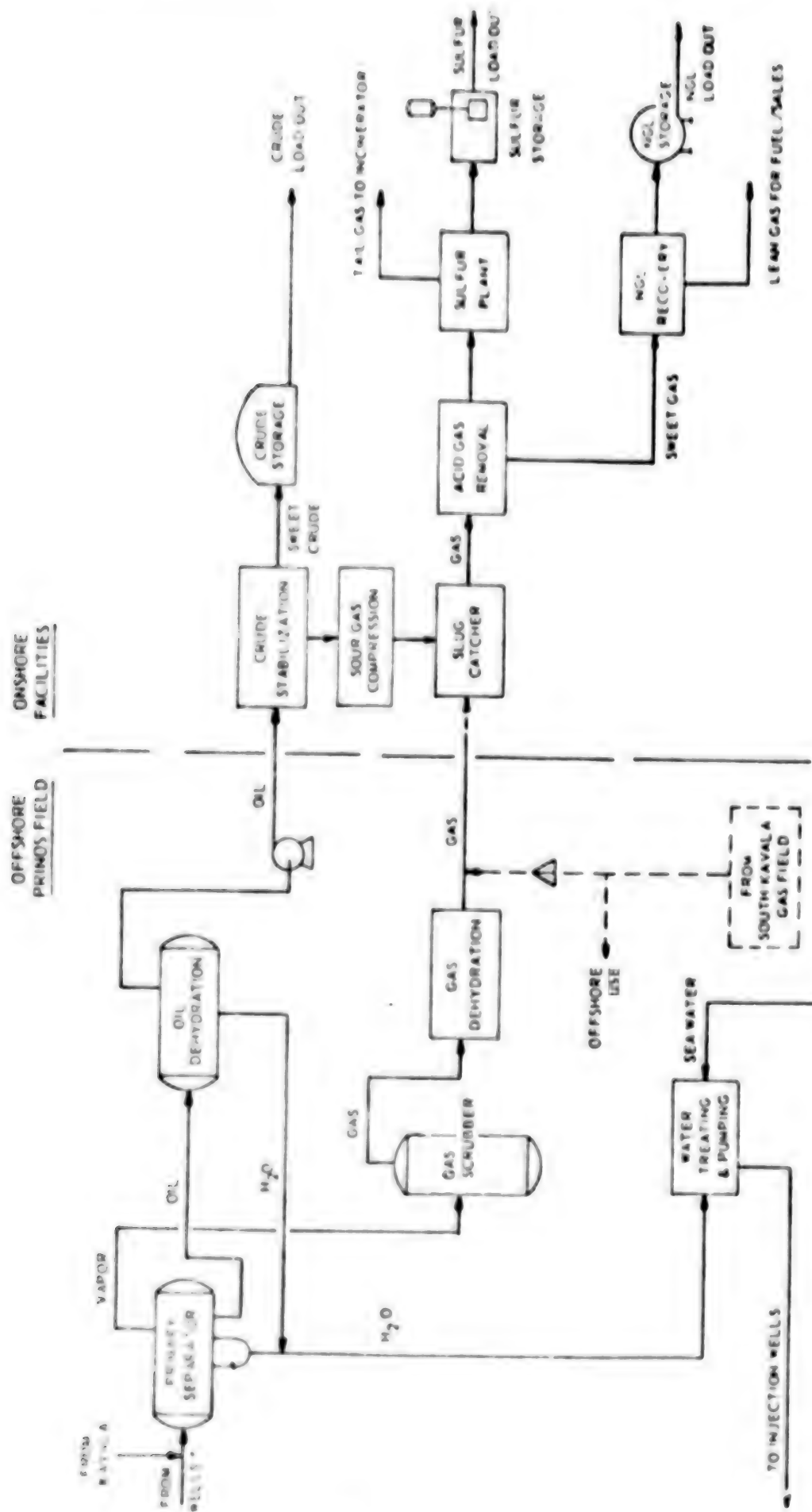
The oil reserves of Prinos and the gas field of South Kavala are going to be commonly exploited. Some of the Prinos installations are going to be used for the South Kavala gas field as well. The design has been concluded in such a way that both reserves are developed and will start producing commonly.

The larger part of costs will be absorbed during 1980 due to the expenditures for platform installations, pipelines, etc. The extraction of oil from the Prinos reserve is estimated to last for 10-15 years.

PROCESS FLOW DIAGRAM - South Kavala Gas Field to Prinos



PROCESS FLOW DIAGRAM PRINOS GAS FIELD TO PLANT



Development plans

NAPC, as operator for the joint venture, proposes to have designed, constructed, and placed in operation, facilities for producing, treating, pipelining, processing, storing and shipping the hydrocarbons and sulfur produced from the two hydrocarbon reservoirs in the Gulf of Kavala, Greece.

Principal areas for location of the facilities are the Prinos Oil Field, the South Kavala Gas Field, a mainland site near Nea Kavali, and pipeline rights-of-way (R.O.W.) between these sites. The facilities will consist of the following major components: Prinos Field Offshore Facilities, South Kavala Field Offshore Facilities, a Mainland Site, Pipelines between the Prinos Field Offshore Facilities and the Mainland, and a pipeline between the South Kavala Gas Field and the Prinos Oil Field. In addition to these major items, the facilities will include associated auxiliary elements such as tanker moorings for offloading of produced crude, storage facilities for crude oil, and storage facilities for produced sulfur and natural gas liquids (N.G.L.). Crude oil offloading facilities will be sized to accommodate European carriers, sulfur, natural gas and N.G.L. are intended for local markets.

The major components and associated elements of the facilities are summarized below:

A. Offshore facilities

The Offshore Facilities will support the drilling activities; oil, gas and water separation system; production control equipment; communications; utilities; water flood facilities; and other equipment as required.

The Prinos Oil Field Offshore Facilities will be composed of one production treatment and two well platforms arranged in an "L" configuration. The water depth in the area of the facilities is 30 meters (100 feet).

The two well platforms (Alpha and Beta) are four pile steel structures. Each structure contains 935 metric tons (1,030 short tons) of steel, and has 678 square meters (7,298 square feet) of deck space. The lower deck of each platform is arranged to accommodate twelve wells for a total capacity of 24. Current plans call for 18 wells comprised of 10 producing wells and 8 injection wells, leaving 6 surplus locations. Producers and injectors assigned for each of the platforms in order that production and injection can continue should one of the platforms be shut due to heavy workover, etc. The upper deck of each well platform is fitted with removable deck sections on three sides. During the initial drilling phase, these sections are removed to permit the use of a jack-up rig. Upon completion of this drilling phase, the deck sections will be re-fitted to provide space for an integrated workover rig or a tender-assisted rig. The well platforms are fitted with cranes, and contain manifolding for production and injection wells.

Bridges, 62 meters (200 feet) in length, connect the well platforms Alpha and Beta, with the production platform (Delta). The bridges provide pedestrian access to the platforms and support interconnecting piping and cables for production, injection and utility services.

Platform Delta is an eight pile steel structure with two decks and a heliport. The structure contains 1,788 metric

tons (1,971 short tons) of steel and provides 2,050 square meters (22,066 square feet) of deck space. Vessels, machinery and piping in contact with produced fluids are designed for sour service. The crude oil circuit consists of two production separators, a crude oil dehydrator and transfer pumps. Water content of shipped crude is 0.2 percent or less by volume. Separated gas is collected at three pressure levels and passed through a triethylene glycol dehydrator to reduce water content to 114 kilograms per million standard cubic meters (7 pounds per one million standard cubic feet). Dehydration of gas and oil insures operability of the pipelines by precluding the formation of hydrates and minimizing the uncertainties of corrosion and stress cracking in hydrogen sulphide service. Metallurgy calls for low carbon, low sulfur steel which is well suited for the liquids and gasses being treated and transported.

Produced water is stripped of hydrogen sulphide, filtered and re-injected to the reservoir or alternately disposed to the sea.

Auxiliaries associated with production include well test system, flare system and water flood train. The water flood provides up to 7,200 cubic meter per day (45,000 BPD) of filtered deaerated seawater to the reservoir. Significant parameters are total suspended solids 0.05 milligrams per liter, oxygen content 0.05 milligrams per liter (500 parts per billion) maximum particle size 2 microns and injection pressure at the wellhead 2.4 x 10⁶ psi (3500 psi).

Services on platform Delta include fire protection, gas detection, personnel support services, instrument air, washdown water, deck drainage, navigational aids, radio and telephone, emergency lighting, pedestal crane, etc. There is a control room and an electrical switchgear/mechanical building. The

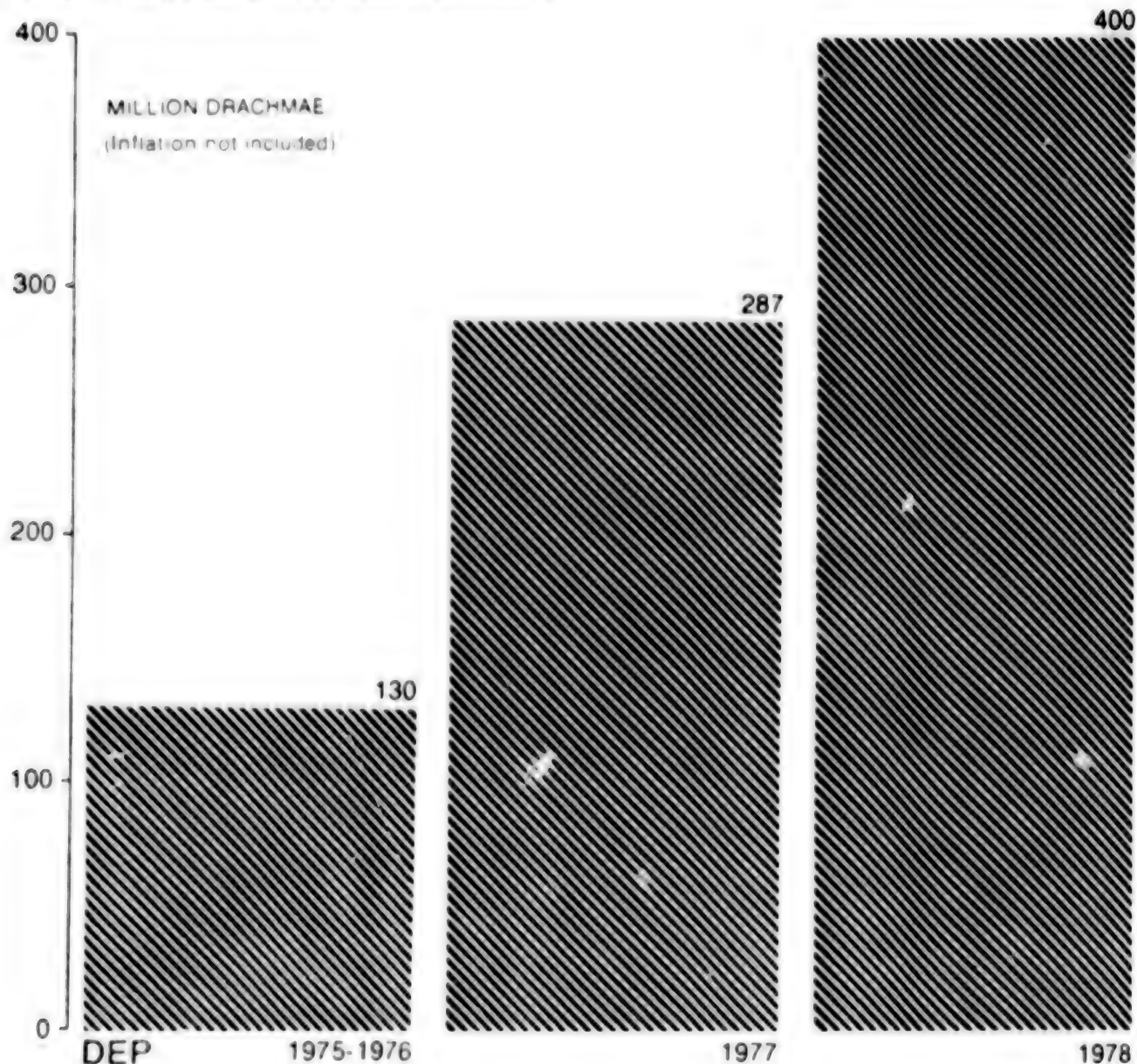
principal utility is the electrical system which is powered from the mainland by two 91 millimeter outside diameter (4 inch diameter) submarine cables. Platform Delta can operate with either or both the cables. Power is transmitted at 20 kilovolts from the onshore site (Sigma) to the offshore production platform (Delta). At Platform Delta, voltages are stepped down to 6.3 kilovolts and 400 volts for operation of all electrical services.

The South Kavala Gas Field is located 12 kilometers (8 miles) south of the Prinos Oil Field Facilities which are described above. A single four pile two deck steel structure (Platform Kappa) is located at the South Kavala site. The platform is located in 52 meters (170 feet) of water, contains 1,060 metric tons (1,170 short tons) of steel and provides 580 square meters (6,243 square feet) of deck space. Platform Kappa accommodates for sweet gas wells. The lower deck contains the well bay, a gas separator and a triethylene glycol dehydrator. Separated hydrocarbon liquids and gas are injected into the 152 mm (6 in.) diameter pipeline which runs to Platform Delta. Produced water is treated and is disposed to the sea. The upper deck is utilized by the workover rig. Kappa is an unmanned platform and will automatically shut-in under anomalous situations.

B. Onshore facilities

The Mainland Site (Sigma) located 3 kilometers (2 miles) east of the village of Nea Karvali, has a usable area of 145,692 square meters (36 acres). The site accommodates a Crude Oil Stabilization Unit, Gas Treating Unit, Natural Gas Liquids (NGL) Recovery Unit, Sulfur Recovery Unit, Utility System, Storage and Shipping Facilities for products.

FINANCING OF DEP FOR SPECIAL EXPLORATION PROJECT FROM THE PUBLIC INVESTMENTS BUDGET



Crude oil, delivered via a 219 mm (8.625 in.) diameter submarine pipeline from Platform Delta, goes through a desalter and a low pressure separator prior to stabilization. The stabilizer is

a distillation column which separates H_2S , some light ends, and CO_2 from the crude.

Bottoms are cooled and then stored in two 19,871 cubic meter (125,000

BBL) floating roof tanks. Stabilized crude characteristics are 0.94 s.g. (18.7 API), 10 pounds of salt per 1000 BBL, 28 ppm of hydrogen sulphide, and a RVP of less than 10 psia. Stabilized crude will be shipped in tankers of up to 75,000 DWT. Tankers will moor at a spored mooring facility located 2,000 meters (6,600 feet) southwest of Sigma site. Water depth is 24 meters (75 feet).

Gas

All gas received from offshore via a 305 mm (12 1/2 in.) diameter pipeline is processed to separate the gas into acid gas and sweet gas. The Fluor Improved Econamine Process is used for this operation. Sweet gas is further processed in a Natural Gas Liquids (NGL) Recovery Unit. Freon refrigeration is used. Liquid recovery amounts to 238 cubic meters a day (1,500 Bbl/Day).

Residue (sweet) gas is available for sale to the local fertilizer plant and for use as plant fuel. Gas quantity available for sale is 160,000 cubic meters a day (6.0 MMSCFD). The decline in Prinos gas is made up for by increases in South Kavala production.

Acid gas is treated through a two stage Claus Unit, and a Sulfrex Unit to remove 440 long tons of sulfur per day. The Sulfrex processing has been adopted to minimize the amount of sulfur emitted to the atmosphere. Sulfrex is a proprietary process that has been licensed to N.A.P.C. by Societe Nationale des Petroles D'Aquitaine of France and Lurgi Gesellschaft of West Germany.

Utilities Cooling water

Seawater is used for cooling various utilities and the turbine generator condenser. Fresh water is provided by desalination at the separator. This water is transferred to the plant site by an

underground pipeline which terminates in a sump. The seawater is treated with chlorine prior to its use. Hot seawater is returned to the sea via a 300 meter long channel.

Electricity

Two 80,000 pounds per hour package boilers and the sulfur plant waste heat boiler rated at 600 pounds per hour provide steam to a superheater, which increases the temperature to 788°F. This steam is fed to process turbines and the turbine generator package. In addition steam is provided at 300 pounds and 70 pounds for process heating.

The electricity needs for the facilities will be provided by generating one half and purchasing the remainder through the Public Power Company (PPC). In the event of a fault in the generated power the onshore plant can continue normal operation by obtaining 100% of the power requirements (both onshore and offshore) from PPC. In the event of a fault in the incoming PPC line, the onshore plant can continue normal operation but the offshore water injection pumps will be off.

Power from the National Grid will be taken from the Kavala-Xanthi 150 KV transmission line. The Kavala substation is served by two independent 150 KV transmission lines. Within the plant boundaries the 150 KV will be stepped down to 20 KV for transmission offshore and stepped to various voltages as required by the plant equipment.

PCI'S TERRACINI CRITICIZES PARTY'S FOREIGN POLICY

Rome L'ESPRESSO in Italian 16 Mar 80 p 23

[Report of interview with Senator Umberto Terracini, member of the PCI leadership, by Guido Quaranta; date of interview not given]

[Text] Whether the question has to do with the internal affairs of his own party or those of the PSI [Italian Socialist Party], those of the DC [Christian Democratic Party] or those of the radicals, the aged communist leader responds. Without hesitation. And without equivocation!

Rome--"It does not seem to me that the DC's new leaders have any intention of yielding on the open break they have decreed in our regard with their famous preamble. Moreover, the local government elections this Spring can definitely be relied upon to exacerbate the dispute between them and us. Rapprochement with the DC indeed!" Senator Umberto Terracini, 84, a member of the PCI [Italian Communist Party] leadership, maintains that the recent change of the guard at the summit of the party of Piccoli and Forlani is intended to bring to a definite end the historic compromise, the political line that PCI Secretary Enrico Berlinguer has pursued and against which he himself, alone, has fought a battle of long standing.

[Question] However, 40 percent of the DC backs leftist positions and comes out in favor of a understanding with your party...

[Answer] Which left? That headed by Giulio Andreotti, who was first a rightist then a leftist? Zaccagnini? Zaccagnini is but a name that was given center stage by his friends and occupied it for a while with dignity; but it is now dead. No, the DC is the Catholic rightist party, with a mass following, to be sure--just as the fascists had. Trying to line up behind them or to show respect for their internal unity are useless approaches. The only approach is to split them apart, bringing out their true progressives.

[Question] Do you still believe in the viability of a leftist alternative?

[Answer] I most certainly do. I am by no means a Giorgio Amendola, who feels the country is ungovernable with a 51 percent majority.

[Question] Do you think it is?

[Answer] In my opinion, yes. And without resorting to the guillotine. All that is required is a little courage.

[Question] But Bettino Craxi's socialists themselves do not believe in the practicality of an alternative.

[Answer] The socialists will not always be that way. Riccardo Lombardi is now their president. And I am now hopeful that within the PSI the outright Lombardi-oriented socialists will prevail.

[Question] What is your opinion of the other members of your party's leadership, starting with Berlinguer?

[Answer] I appreciate the fact that Berlinguer, unlike Luigi Longo, has introduced into the party a new way of governing it, allowing everyone--for example--to speak his or her mind openly. Unfortunately, all do not speak their minds.

[Question] And what do you think of the others?

[Answer] What can I say? Gian Carlo Pajetta is a dear comrade but I do not consider him a leader; especially since he has become the PCI's ambassador-at-large to the Third World countries in the Soviet orbit and backs everything that takes place beneath the waving of a red flag. Alessandro Natta is a good comrade, but what does him in is perhaps that sardonic little smile ever present on his lips: One might say, if I may be permitted the expression, that he is out to shaft us all. Gerardo Chiaromonte is very intelligent; he is a man who molds the thinking of others; but he, more than any other, bears the responsibility for the historic compromise line of approach. I like Pietro Ingrao: He is highly cultured, educated, and a thinker; besides, he is not always clapping his hands. I also respect Giorgio Napolitano: He would be my choice for secretary of the party.

[Question] Last Fall, you took part in a demonstration of the radicals. Some time ago you subscribed to their referendum against hunting. Why this empathy for the party of Pannella?

[Answer] I do not share the contempt my comrades hold for the radicals, who represent the political expression of a small semi-bourgeoisie that we have never succeeded in breaching. The radicals deserve credit for having

concluded a few hours before, I think, to which we, welcomed us as we
were by the parliamentarians who were, of the various, have always
failed a great deal. It seems to me that in Italy today, if there is at
least a great deal of agreement, we are in the radicals--even if our votes
in Parliament were divided in introducing one as well as the other.

[Question] Are your views on the CDP still controversial?

[Answer] It is not. I think it is a necessity to whom internal
democracy, that is, the right to the right of the right of expression.

[Question] The newspaper now reports that a meeting of all the
parties in Rome is being held for a new government. Your party has refused.
Are you in agreement with this refusal?

[Answer] No, in my opinion we should have agreed to take part in such a
meeting. But we have refused. At the same time, the parties between us and
the other parties are not in contact and without giving.

[Question] Do you still see a continued heretic, a "democratic."

[Answer] There are not many in my party who have the courage to say "no,"
even today. I have always said it loudly and clearly. But I am a heretic
and my friends advise me.

[Question] What sort of following do you think you have?

[Answer] I think that the people express themselves. Many would be with
me.

PCI'S PAJETTA INTERVIEWED ON AFGHANISTAN

Rome L'ESPRESSO in Italian 16 Mar 80 p 63

[Report of interview with Giancarlo Pajetta: "Cossiga, Our Man for Kabul"; by Gianni Corbi; place and date of interview not given]

[Text] The Afghan thorn will be very hard to extract. Diplomacy is in action throughout the world, the most wide-ranging proposals overlap each other, the most unthought-of channels of communication are being activated, and even our own Cossiga has assumed the role of chief mediator between the superpowers.

Of the Italian political parties, the PCI [Italian Communist Party] is by far the most concerned. In the last several years, its leaders have devoted most of their political inventiveness to resolving the question of how, within the framework of detente, to deal with the issue of the delicate balance between the two superpowers. But now that detente is going up in smoke and balances are being pounded into dust, many concepts must be revised.

This explains the frantic comings and goings of the communist plenipotentiaries to and from Warsaw, Sofia, Madrid, Bucharest, Algiers, Bonn, Belgrade. The PCI has tried every means, from the PLO [Palestine Liberation Organization] to Willy Brandt, to advance its efforts at mediation. Giancarlo Pajetta has, in a certain sense, been the coordinator of this not disinterested mediation effort, and it is to him that we have turned to find out how the Italian communists today view the Afghan question.

[Question] In a message to Tito, Carter has said that he is prepared to take part, together with Afghanistan's neighboring countries, in a system of international guarantees of the neutrality and independence of Afghanistan. This is on the condition, of course, that the Soviets withdraw their troops.

[Answer] Carter's good intentions have yet to be verified, but his statements undoubtedly introduce a new and important element into the situation. Will his statements succeed in easing the situation? Perhaps. One might

taken conclusively as follows: The Soviets say they were compelled to go into Afghanistan to guarantee the equality of their border. Afghanistan is a landlocked country. Carter articulated the concept of a "neutral and nonaligned" Afghanistan held together by a government "that responds to the will of its own people." Conclusion: The Shah, having obtained the necessary guarantees, should logically agree to withdraw from Afghanistan.

[Question] Do you think Carter's initiative had been dictated by electoral considerations?

[Answer] No, not entirely so. In my opinion, although they undoubtedly played an important role, there is much on the part of the United States, Europe, and even the USSR a real concern over the dangers inherent in the situation. But there is also another factor that must be taken into consideration: The big powers have become aware that the small nations also want to speak for something and that bipolarization may, after all, not be an eternal law.

[Question] But, in your opinion, did the Russians commit an error of judgment in proceeding upon the Soviet adventure?

[Answer] I think there is no doubt the aspect of national independence is more deeply rooted in the Afghan people and has played a more important part than the Soviets could have imagined when they decided to intervene openly in favor of the group that had taken power.

[Question] Carrington, the British foreign minister, has proposed entrusting Cossiga, as President of the EEC, with the mission of seeking an agreement between the Soviets and the Americans. What do you think?

[Answer] We think the idea is a good one and have said so. If nothing else, let us at least partake of a bit of patriotic pride. True, Cossiga is not even able to bring his own party members into agreement. But who knows that he might not, through some sudden stroke of inspired wisdom, succeed in coming up with a solution to the Afghan affair?

[Question] And as for yourselves, do you have in mind making any effort, for example, at mediating between the Soviets and the Afghan communists?

[Answer] We do not think the Afghan communists, we have no relations with them and for the moment we shall think such relations would be useful.

[Question] And with the Soviets?

[Answer] On his way to North Africa, Enrico Ingrao stopped over a few days in Moscow where he met with Mr. Gromyko. I do not know why the Italian press has not mentioned it. The document attesting the results of their meeting is so brief as not even to warrant an explanation. It merely says their respective points of view were expressed—a euphemism of resort to say that their viewpoints differed.

[Question] But do you think the Soviets at this moment would, if they could, withdraw from Afghanistan?

[Answer] I do not know. What I do know for certain is that, traditionally, the Afghans are not anti-Russian. Therefore, I cannot accept the thesis that strategic motives or a further territorial expansion were the determining factors that dictated the Soviet intervention. I would add two things, however: 1) The Afghans definitely do not want to become a protectorate of Washington. 2) the Afghans are Moslems, have no love for Israel, and are demanding, for religious reasons, the return of Jerusalem to the Arab world.

[Question] It seems to me you have very little faith in the diplomatic efforts being made to resolve the Afghan question.

[Answer] On the contrary. But I agree with Talleyrand, who certainly was well versed in diplomacy, and who expected "above all, not too much" from it. Diplomacy is, after all, not a magic potion for the resolving of all problems. The Afghan question cannot be resolved outside of Kabul; reconciliation is the basic premise of any real balance; and the Afghan people are an interlocutor without whom it is useless to meet.

[Question] But what if agreement turns out to be impossible? What if the Soviets continue occupying Afghanistan militarily?

[Answer] It will simply mean that the process for achieving peace and reconciliation will take longer. Let us not forget that in Rhodesia, nationalist leaders like Mugabe and Nkomo fought for 14 years, but finally succeeded in compelling even Ian Smith to negotiate, thus winning free elections. If the Afghan communists have any effective weight of their own, they can make it felt.

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CSO: 3104

CGIL MAFIA SOUTHERN STRATEGY, TAKEN AIM AT TERRORISM, MAFIA

CGIL Secretary in Rome

Valerio IL GIOIALE 04 SICILIA in Italian 27 Feb 80 pp 1,2

[Interview with CGIL Secretary Luciano Lanza by Giovanni Pepi in Rome, date not given.]

[Text] ... fight against the mafia and terrorism -- CGIL's internal problems in pushing commitment to the South -- Need for a new policy to help weakest areas in the Mezzogiorno -- "We'll work out the right lines with the Sicilian workers."

Everything is ready for the demonstration against the mafia, sponsored by the CGIL, CISA, and UIL. They have put out a flier. There will be a union rally on 10 March in Palermo, with all three of the "top men" -- Giorgio Benvenuto, Pietro Carniti, and Luciano Lanza -- on hand. After that, there will be a public debate at Palazzo dei Normanni, which may turn into a confrontation between the national labor summit and regional organizations.

This will be the start of a nationwide mobilization against the mafia, but there are already signs of a change of course. In the wake of the slaying of Pierantoni Mattarella, "the gravest political crime since the Moro case," the mafia, as "the island's hidden disease," has been drawing renewed attention. The tired stereotype of the mafia as an inevitable element in a practically unchangeable Sicilian landscape has been scrapped. What is the new view? That's where our interview with Luciano Lanza, secretary-general of the CGIL, begins.

[Lanza] No doubt about it. Since the Mattarella slaying not only organized labor, but every force in the nation has begun looking with a new intensity at the mafia phenomenon. The analysis has now been, shall we say completed.

[Question] As a matter of fact, in some ways the mafia is an enemy more to be feared, perhaps, even than terrorism.

[Lana] In what way?

[Question] Quite a lot of people in Sicily have noticed it: in its own mad way, terrorism is revolutionary, aims at destroying the state; the mafia is conservative, seeks to control institutions so as to bend them to its own ends, all is "good" men, and has a more clear-sighted capacity for ruling. Do you see it this way?

[Lana] I should not draw such distinctions. I see an equally clear-sighted control behind terrorism, too. The differences escape me even further if I think about the already patent connection, for example, between terrorism and ordinary crime.

[Question] But the mafia differs in dimension.

[Lana] Of course: there you have an organization with a far greater historical tradition and meaning, and so it cannot be compared on such grounds. But we must think about the objectives of subversion. Just what does terrorism seek? It says that it seeks an authoritarian turn to the right which it considers the necessary precondition for a leftist revolution. In the medium term, therefore, its objective may well coincide with that of the mafia.

[Question] In the sense that both of them would be shooting for a turn to the right?

[Lana] Precisely.

[Question] Could this perhaps be a coincidence, rather than actual operational integration in pursuit of the same goal?

[Lana] I am not certain, and I am not given to formulating hypotheses, but I do stand on the facts.

[Question] What facts?

[Lana] On the one hand, we have the mafia's political crimes in Sicily, and on the other the common crimes of terrorism in the North, committed to finance political subversion. And then, we cannot overlook the mafia touch in some kinds of terrorist behavior. The threats sent prior to the killings, use of the standard warnings along the lines of "If you don't do thus and so you will pay...", intimidation of witnesses, the killing of those who have talked -- all these were unheard-of among terrorists until a few years ago.

[Question] You confirm what I was just saying: there has been a qualitative leap in the assessed political value of Sicily, and of the mafia,

on the part of organized labor. What does this mean, in practical terms, in your political line?

[Lana] In practical terms? It is still a little early to say. At our 10 labor convention in Palermo we do not intend to offer proposals and analyses, but rather to work out, with the Sicilian workers, the most suitable lines of behavior to adopt. Meanwhile, we shall urgently state the need for a commitment to fight the mafia, which we show the workers as a nationwide phenomenon which grows in Sicily but which has tentacles winding around the entire of subversive all over the continent.

[Question] That is of course a given, but is more attention being paid to the Sicilian situation by the main offices in organized labor?

[Lana] From what point of view?

[Question] Until now the island seems to have been treated something like a stepchild by organized labor. There has been strong talk about good intentions toward the South, but what came of it all was first a lot of publicity for the Calabrian situation, then more publicity about the Campanian situation -- and somehow Sicily got lost in the shuffle. Is this a timeless system, the kind of thing a whiny Sicilian would think?

[Lana] It's not necessarily at all, but if there has been any downgrading it was not intentional. It is true, though, that labor's action in the Mezzogiorno has not been consistent, and the record it has chalked up has not been impressive. And this affects all of the Mezzogiorno, true though it is that labor mobilization in the South has not always been homogeneous.

[Question] Now we get to the most worrisome point. The Sicilian organizations of the CGIL, CIL, and UIL, as they stated the need for a nationwide fight against the mafia, put the region's economic development at the very core of that fight...

[Lana] The entire labor movement agrees on that score.

[Question] But economic development for the island, these days, must come as the result of a complete rethinking of policy for the Mezzogiorno. And that faces labor with a set of anything but simple problems.

[Lana] It involves tough problems, I know. But here again it is important to underline some facts. For one thing, the Mezzogiorno is no longer an entirely underdeveloped entity. There are patches of neo-development: it's not all desert, nor are there only cathedrals in the desert, but there are new pockets of prosperity right next door to other areas where underdevelopment is still tragically prevalent.

[Question] That latter kind of area is particularly common in Sicily.

[Lana] True, even though in Sicily, too, the economic situation is begin-

ning is show signs of differentiation. But, and I emphasize this point, the problem of intervention in the Mezzogiorno today requires a set of priorities to concentrate the bulk of available resources precisely in those zones that have remained weak. This, I know, raises some hard questions for labor, too. But we are not going to throw up our hands for all that.

/Question/ Unfortunately, this commitment is coming at the worst of times. Organized labor is under severe temptation right now to go back to its old ways, and concentrate the bulk of its efforts on wages and working conditions for people who already have jobs.

/Lana/ I don't deny that there are problems. Once again, we face the same old question. It is quite clear that if we make a bigger share of the national investment credit budget for the South the center of our efforts, it will not be compatible with drives for wage increases in the North. In the same way, a decision to earmark increased appropriations for the most poverty-stricken zones in the South may very well run into opposition in our own ranks. Nevertheless, it is a battle that must be fought. We have to decide -- and this is the point -- whether or not organized labor alone, but organized labor, too, is to bow to the rule of the stronger, or whether it is to impose the rule of the fairer.

/Question/ But labor is retreating in the direction of the law of the stronger.

/Lana/ That is a risk that we run, I repeat...

/Question/ I shouldn't call it a risk: the retreat has already begun.

/Lana/ What has begun is a political struggle within the labor movement. You cannot say that the traditionalists in the trade, to use the words of your question, have won. They haven't won. They are fighting, though, and they have a chance. Ever since its birth, the labor movement has had two souls: one is the "us-against-the-world" soul that backs the demands of the man who is fighting for the job he has, the other the "outreach" soul that takes into consideration the demands of those already employed along with those of the jobless, whom it sees as the potential employed.

With the EUR convention, the labor movement not only gave top place to the issue of jobs and new job opportunities in the Mezzogiorno, but also tried to provide a practical foundation for that option by calling for wage demands to be tailored so as to be compatible with new investments. This idea is still embodied in the labor line, even though it is constantly challenged.

/Question/ But there is no dodging the hard facts. It was the CP's own Chiaromonte who said a few days ago in RINASCITA that conditions today are ripe for a massive and generalized wave of wage demands. Set in that perspective, any proposal for the South, for Sicily, becomes academic. Or doesn't it?

[Lana] These conditions do exist, that is true. There are all the civil service contracts coming up for renewal, and demands are tending to exceed those criteria of sensibility I mentioned earlier, and then there are the integrative contracts in the plants. And here again, we are in danger of straying off the right path. But we must not simply give up. Not only is it not written anywhere that the game is lost; it is quite possible to win it. Our initiative in Sicily has that as its goal.

[Question] What?

[Lana] The idea of spelling out, right in Sicily, the demand for some point of equilibrium, necessary in the specific choices of the labor movement, so as to decide where, in the development of the South and of the island, to place the priorities upon which we mount our struggle.

Lana Lamenta Lack of Confidence

Palermo L'ORA in Italian 11 Mar 60 p 1

[April 18, by Luciano Lana: "Is There Such Lack of Confidence?"]

[Text] I get the impression that there is still a degree of incredulity and skepticism as to the true faces of the labor movement in its contemplated commitment to action for reform and economic recovery in the Mezzogiorno and Sicily, and in its ongoing commitment to fight the mafia and terrorism, but as to its chances of making that commitment meaningful, almost as if there were forces greater than all of us standing in the way. I believe there is in fact skepticism deriving from the recent bitter disappointments which stem from the frequent betrayal of the prospects for change and progress the Sicilian workers pinned on so many broken promises.

I should like, therefore, to convince them that this time we are looking at something different, consisting first of all in the strategy of a strong nationwide organization which does not look at the problems of the South and of Sicily as always affecting a part of Italy which deserves help, mercy, and solidarity, but as issues facing all the nation's workers.

It was an accident that the watchword read out at a Calabrian demonstration said: "If we don't get jobs in the South, you in the North will be working for us, too." That's already happening, in fact. The whole issue of welfare boils down to this: consumption without production. But this is consumption that has a wasteful, and which can only be fed by production of resources taking place in other parts of the country by the labor of other people. And I am among those who believe that until we lay the foundations for productive work, welfare must be included or continued. This, though, entails growing economic imbalance, which is all too likely to be accompanied by equally fast-growing social dislocation. It is in the interest of the social forces in the North, in the developed part of the country, to transform welfare with its costs into economic development and thus into growth in the productive forces, into growth in

investments in the South big enough to make it more autonomous, by which I mean better able to support itself by its own efforts, with productive activity of its own, and less dependent on handouts from the North.

I believe that this creeping lack of confidence one can feel spreading through the labor world in Sicily may have its roots in historical experience, but that it has no rational reason for persisting today, given careful consideration of the reasons why the united labor movement is so committed to its present strategy of struggle for development of the Mezzogiorno.

I believe that confidence can find the wherewithal to grow in the sincerity of this commitment of ours: it involves the entire country, and it speaks to the real interests even of the more developed zones with a high level of employment.

We are not pinning our hopes on solidarity, but on a well understood and more long-range interest, the interest of the workers first of all, but in the long run that of a goodly segment of our society.

A similar rationale underlies organized labor's commitment to combat political and mafia violence. It is a matter of record that the mafia has in the past repeatedly singled out organized labor as its target, viewing it as a force for change: when the unions fought against the big landholdings, the mafia that protected them had no qualms against killing dozens of labor leaders and farmers who were fighting for the transformation of those antiquated agrarian structures.

The mafia, like terrorism in the North, is a conservative force, which fights progress and the men and the social and political structures that are fighting to change society, to move it forward.

I believe that there are indeed physical ties between the mafia and terrorism. In any case, there is a very real identity of goals. And this is reason enough for the labor movement, which has long been committed to the struggle against violence, to mobilize against the particular form of violence which, in Sicily, is the mafia.

I do not seek, therefore, to ask for confidence in the name of any myths of national or class unity. I believe that we can indeed ask Sicilians to have confidence in the initiative of organized labor in the name of the real interests of the workers whom we seek to serve equally in Sicily and throughout the land. It is well for us to reflect a little in Sicily about the evil consequences that might flow from a persistent attitude of skepticism and disbelief, because that attitude would leave Sicily's workers weaponless in a struggle which is theirs, first of all, and might well weaken a national commitment on the part of the labor movement, which, no matter what happens, does exist and will continue.

Cagliari L'UNIONE SARDA in Italian 27 Feb 80 p 2

/Interview with CGIL's Luciano Lama by Giacomo Mameli, place and date not given/

[Text] [Mameli] The government in Rome is about to fall and the regional one hasn't long to live. Is this strike really going to do any good?

/Lama/ If, over the past years, we had always had to tailor the workers' movement and its actions to the governments we have seen, I believe that we should be far behind where we stand today. The labor movement cannot tailor governments to its own measure, either at the national or at the regional level. Organized labor brings forth its initiatives and its struggles out of the objective conditions of the workers and of society. For that matter, while it is true that the Cossiga government is on its deathbed (and while I hope it will be succeeded by one capable of moving more efficaciously to improve the living conditions of the workers), it is equally true that the struggles in which we are engaged during this period must also further such change. We are determined to make sure that the new leadership -- in Rome and in Cagliari -- knows it must reckon with the demands and proposals of the workers, far more than in the past.

/Mameli/ But can a strike push them in that direction?

/Lama/ Of course: how can they possibly not reckon with what this sea of people wants? How can anybody dare once again to thwart, once again, pleas that come from the people, from the masses?

Our talk today with Luciano Lama, secretary-general of the CGIL, dealt inevitably with the crisis in organized labor and with the charges currently leveled at it from all sides. There are important appointments on his calendar: delegates are about to be elected, and this is a critical moment: will the workers begin to drift away from the ranks of organized labor?

/Lama/ I believe we have to try to assuage or get rid of the symptoms of creeping bureaucracy in the unions. True, these symptoms have on occasion been visible and frightening. Even so, I believe that what we must do is to check, through the evidence the delegates can give, on the nature, the significance, and the political meaning of the workers' membership in organized labor.

/Mameli/ There are fears, though, of more than one desertion.

/Lama/ There are workers who are afraid of this moment, believing that it might lead to a marked decline in numbers of union members. In my

view such fears are groundless, at least in part. Besides, the numbers prove I am right. In Sardinia, for example, the CGIL is visibly growing -- I believe we have topped the 100,000 mark. That fear is based on lack of confidence in the voluntary nature of union membership either through the union card or by proxy, however it is given. I have every confidence. In any case, you have to show proof, because joining a union is an act of political will, it is a choice the worker makes, and it is right and proper that we truly know just how much participation and conviction that proxy stands for in the worker's mind.

/Namel1/ Never has labor been the target of such criticism as it is right now. Why?

/Lama/ I was never all that enthusiastic at the fulsome praise showered on organized labor not so long ago, nor am I overly upset at a change in the wind and a tendency to blame the unions for things that are not their fault. Take the Fiat case.

/Namel1/ Where the problems are severe.

/Lama/ But that is certainly not the union's fault. It is easy and irresponsible to make assertions like that. Fiat is ailing: it cannot stand up to competition on the international market, its product is not among the leaders: but can you blame that on the workers, who, come what may, have always put out the cars? Of course: I am well aware that we have responsibilities; we certainly have them, because we are a powerful force with a lot of clout in this country, with great ability to mobilize our people, and with responsibility for influencing and guiding millions of people in this society. We all make mistakes: but are we supposed to lump those of the bosses alongside those of the workers? Is it the fault of the Portotorres workers that the chemical industry is collapsing? If synthetic fibers are in a slump, are we then to blame the worker at Ottana, or the myopia of industrial leaders, the myopia and ineptitude of the people who ran it and still do? Labor has always reported these facts to the workers. When you look at the tremendous responsibilities of the people running things, it is absolutely outrageous to publicize only the mistakes of the plant or office worker. Of course he makes mistakes: but he has kept right on doing the work, and that is the foundation of our economy. But you can't just lump the good together with the bad: no! We won't stand for it. Labor's policy is fundamentally fair: it is the policy of reform and renewal, of the defense of democracy. Look: it is on the basis of its major decisions that organized labor is to stand or fall, and it must be helped to make those decisions reality.

/Namel1/ Is this attack on organized labor dangerous?

/Lama/ These days we are taking criticism for shortcomings that are not ours. You need only consider the responsibility of the nation's political leadership: instead of coming to grips with the essential ills of the economy, it dabbles with mere buffer measures that amount to nothing;

when you look back to it, life and real action is welfare, rather than productive enterprise. I don't believe, though, that the workers will let themselves be too much swept by this discontented attack on organized labor. They know how to take care of themselves, they have their papers in order, and they are willing to admit their mistakes; but then they change their ways and do better. Can we say the same of the other bunches?

[Lando:] Still there is another "golfer season" for organized labor when it has made its season of complacency and has to live with the consequences of that season?

[Lando:] We have a lot of enemies and today they are coming out into the open more than in the past. Even so, we have powerful forces behind our policy: we have the plant managers, which are drawing new stores of energy by dividing themselves to support the general decisions. Therefore I do not see any grounds for concern in this situation, nor do I draw any conclusion as to a particular weakening in our capacity for action, nor do I see any basic criticism of our position. More than heretofore our goals are three: the handicapped, the old, and the young. By their side stands organized labor, which also merits some criticism: but we must stand by them, and clear ranks around them. Nobody cut off from the labor movement has ever stood up for the workers.

THE NEW REPUBLIC

Pages 12 LATTING in Studies & War 21 2 27

[Article by Francis A. Schaefer]

[Text:] Regional quarrels never into 12 day in Caserta. CGIL proposed change of course. Giovanni Rinaldi's report spells out rationale for new union strategy in Campania. Signs of self-determination and relations with political parties. One official signature is demands acts of terrorism.

Caserta--(UPI) (AP) They have been talking here in Caserta about the future of Campania. "A time for reflection and for critical evaluation, for a contribution to thought and proposals for the union's national and pro-Southern life," a campaign of ideas, of calls for debate with the democratic political parties on the issues of development and on the establishment of a democratic and progressive plan for a profound renewal of our society."

Giovanni Rinaldi, outgoing regional secretary, plunged right into the issues the CGIL plans to take about and ahead into in the course of a debate "open to input from the CGIL and UIL, and from all workers." Declaring the congress officially open, Rinaldi painted a broad yet detailed picture of the many factors that have made the economic and social situation in Campania what it has been in the last 1 or 4 years. It is a clear

picture of lights and shadows, spread out before the congress to call its attention to the political issues, to call for "careful reflection, and, above all, for each of these issues to be faced with consistency and strict discipline in initiative and intent."

In a quick rundown on proceedings at the many preliminary meetings in preparation for the congress, Ridi did not dodge his duty in acknowledging a number of self-critical remarks, with a low-key, realistic approach to the turn taken by "events, processes, and phenomena," while reasserting labor's locomotive role even in these last difficult years of depression in Campania. An invaluable role, unquestionably, taken on as a "force for cohesion and confidence on the ground of the struggle against terrorism, to defend and advance democracy." Many, far too many opinions and questions as to the function of organized labor are still being drastically couched in terms of "practical results," in terms of change and development achieved or not achieved.

In his report the CGIL secretary spoke of "mistakes that need correcting," and cited a string of causes "that may have weakened the credibility relations between the workers union and the union of the poorest masses in the Mezzogiorno: the lack of satisfactory results as priority goals in the reform area: housing, transportation, health, etc., the South; lagging pro-South commitment "in the labor movement and in the framing of demands"; often contradictory conduct on the issues of wage policies and working conditions in the plant; "an uncertain and weak-kneed attitude in dealings with local governments, particularly in the /Campania/region; "substantial inability" to establish organic ties with the masses of young people, with the neglected, or with women."

Of course, these shortcomings were highlighted by the prevailing general depression. Ridi used exceedingly tough language in his remarks about the present government: "hostile and dug in along a line in clear opposition to the demands of organized labor." A government "that has managed to confirm its own impotence, in the wake of three general strike over non-negotiable demands, but which showed no inclination to delay in going along, hand in glove with the most reactionary elements in our society, in fanning the fires of inflation, in providing shelter and support to moderate symptoms of the crisis, or in postponing or spoiling the web upon which political and social forces had begun to weave the discourse of a new commitment."

A length digression in the report was devoted to the problems of terrorism. From this regional congress the CGIL will send out the challenge for "a mass undertaking, as part of a great ideal and political battle." A million signatures will be gathered among the workers to a document to be delivered to President Pertini on the birthday of the Republic, 2 June of this year.

Also dealt with in depth were the questions of detente and world peace (Ridi once more denounced the Soviet invasion of Afghanistan, but had

secretly harsh words for officials of "these who would lament and then exploit the elements of terrorism". Moving on to specific discussion of the issues centering on the function of organized labor over the past few years, the CIL secretary for Campania delivered a critical analysis of what had happened by the UPR, and went on to offer a number of points to be pulled over as to the need for "keeping a rein" on strikes, especially in the public service sectors.

The concluding portion of the report dealt with the human picture of devastation in Campania, relations between organized labor and regional political parties, and the need for developing new ideas for recovery in production and jobs, directly tied in with the launching of a practical and vigorous local plan. Still paid particular attention to the situation in Naples, and, more generally, to the urban question. There are tremendous untapped resources that could make a tangible contribution to getting out of the crisis. "City and country alike must learn to plan and move forward together," the CIL secretary concluded; "and it is up to us to be bolder in our feeling of the strength of the young people, the intellectuals, and the unemployed, into an intimate relation with the working class and with the workers in all the productive sectors of the Mezzogiorno."

The congress (which yesterday paid tribute to the memory of Feliciano Scamuffa) is carrying on today with its discussions and with committee work.

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SCIENTISTS' PARTICIPATION IN DEFENSE RESEARCH DEBATED

Appeal by Physicists

Rotterdam NRC HANDELSBLAD in Dutch 8 Apr 80 p 1

[Article by editor Simon Rozendaal: "Physicists Appeal to Colleagues to Stop Military Projects"]

[Text] Utrecht, 8 April--All scientific developments which could be of military importance, must be made public. Physicists must also reject scientific and development work for military employers.

These are some of the recommendations of a committee of six outstanding Dutch physicists: Prof Dr E. Bocker, Prof Dr P. Boksma, Prof Dr S. L. Kwee, Prof Dr Eng E. A. Muijderland, Prof Dr Phil Smith and Dr W. C. Turkenburg. At the request of the Dutch Physicists' Association, this committee has drawn up a working paper about "The Role of Physicists in the Armament Problem." This report came up for discussion this afternoon at a symposium in Utrecht.

The six physicists declare that physics has created the opportunity for the present armaments race in many essential fields. At the same time, physicists, because of their intense international outlook (for example, the Pugwash movement), have encouraged disarmament movements.

A quick inquiry which the committee conducted in Dutch laboratories and businesses gives no reason to change a previous estimate that approximately 3 percent of all Dutch physicists are conducting military research. This percentage is rather low compared with foreign countries: According to a frequently mentioned estimate, more than half of the world's physicists are working on military projects.

The majority of Dutch physicists who perform military research work at Phillips and TNO Netherlands Central Organization for Applied Natural Scientific Research⁷, which have various military laboratories.

A second fact from the inquiry, which creates the impression Dutch physicists are less involved in military projects than their foreign colleagues, is that there are only very few physicists in the Netherlands who are connected with military authorities as consultants.

Finally the committee estimates that several hundred million guilders are spent in the Netherlands on military research. According to the report, this amount is not significantly lower than expenditures on a world scale.

Criticism of Appeal

Rotterdam NRC HANDELSBLAD in Dutch 9 Apr 80 p 3

Text⁷ Utrecht, 9 April--Prof Dr Eng H. J. Derksen, chairman of the TNO National Defense Department, has serious objections about a working paper on the armament problem, in which six outstanding Dutch physicists call on physicists to stop research and development work for military employers.

In an additional comment about this working paper, Derksen writes he especially hopes that "in the coming years many capable and well motivated physicists will continue to devote themselves to research on behalf of NATO."

The working paper, entitled "The Role of Physicists in Armaments Problems," was discussed yesterday at a symposium of the Netherlands Physicists' Association. It was drawn up at the request of the association's executive committee, with the indication that all statements in it would be the responsibility of the authors.

The six physicists had urged publicizing all scientific development of new weapons and had called on physicists in general, for example, not to take part any more in NATO conferences and to make contacts with Eastern Europe to jointly collaborate on alleviating social problems.

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